

The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

## COMPREHENSIVE HOUSING MARKET ANALYSIS

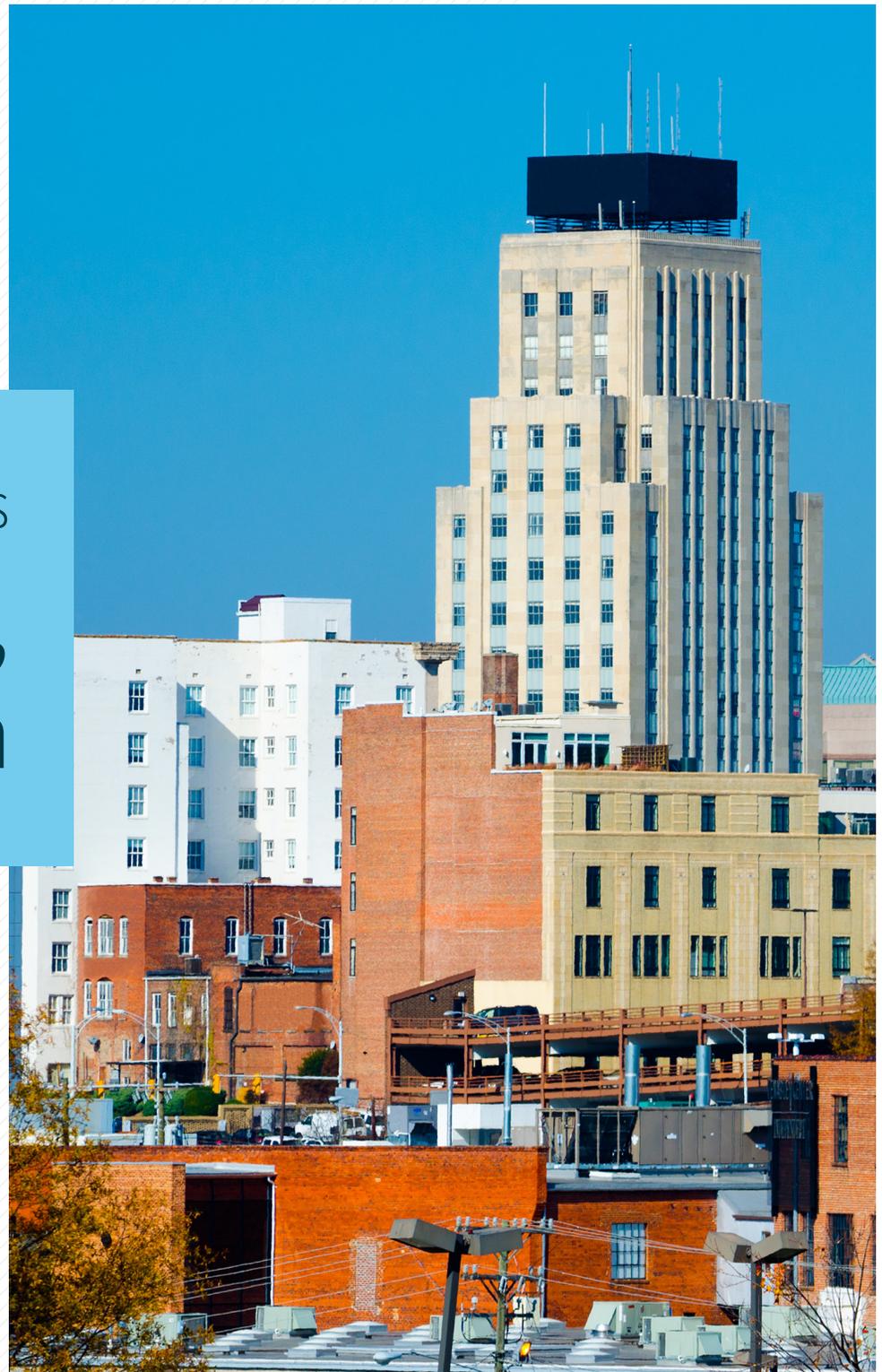
# Durham-Chapel Hill, North Carolina

**U.S. Department of Housing and Urban Development,  
Office of Policy Development and Research**

As of December 1, 2020



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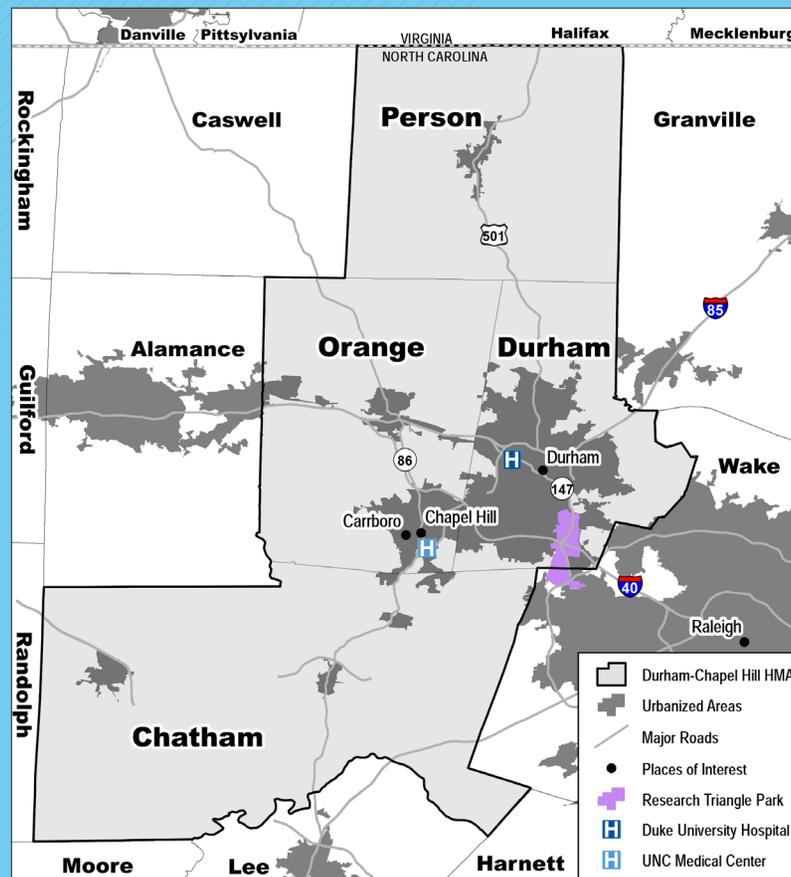
# Executive Summary

## Housing Market Area Description

The Durham-Chapel Hill Housing Market Area (hereafter, Durham HMA) 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).

The current HMA population is estimated at 590,100.

The HMA is home to Duke University and the University of North Carolina at Chapel Hill (hereafter, UNC-CH), which each have research hospitals, and Research Triangle Park (hereafter, RTP), the largest and oldest continuously running research park in the nation. Among myriad cooperative endeavors, RTP conducts research, development, testing, and manufacturing of vaccines.



## Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).  
 Additional data for the HMA can be found in this report's [supplemental tables](#).  
 For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



## Market Qualifiers

### Economy



**Weak.** During the 12 months ending November 2020, nonfarm payrolls in the Durham HMA fell by 18,100 jobs, or 5.6 percent.

Measures enacted to slow the spread of COVID-19 during the past year resulted in job losses that ended 9 years of continuous job growth in the HMA. Almost one-half of total job losses were in the leisure and hospitality sector, which lost 8,700 jobs, or 30.6 percent, during the 12 months ending November 2020. The manufacturing sector lost the second most jobs, decreasing by 4,700, or 16.8 percent. Nonfarm payrolls are expected to expand by an average of 2.2 percent annually and are anticipated to make a full recovery during the 3-year forecast period.

### Sales Market



**Tight.** The HMA had a 2.1-month supply of for-sale housing during November 2020—less than both the 2.5-month supply a year earlier and the current national supply of 2.4 months.

In November 2020, 3.1 percent of home loans in the Durham HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, which is lower than the national average of 4.1 percent. During the 12 months ending November 2020, new home sales decreased 1 percent in the HMA to 1,750, and the average new home sales price increased 5 percent, to \$435,100. During the same period, existing home sales declined 1 percent, to 7,500, and the average existing home sales price increased 7 percent, to \$330,100. During the 3-year forecast period, demand is expected for 9,475 homes. The 1,025 homes currently under construction are expected to meet a portion of that demand in the first year.

### Rental Market



**Slightly Tight.** During the 12 months ending November 2020, 1,725 rental units were permitted in the HMA—down from 2,175 units during the previous 12 months.

The rental market in the Durham HMA is slightly tight, with a current vacancy rate for all rental units (including single-family homes, townhomes, apartments, and mobile homes) estimated at 6.3 percent—down from 9.5 percent in April 2010, when the market was soft. Single-family homes, including townhouses, made up 38.0 percent of the occupied rental units in 2018. During the fourth quarter of 2020, the apartment vacancy rate in the HMA was 5.4 percent, and the average rent was \$1,189—2 percent higher than a year earlier. During the next 3 years, demand is expected for 5,575 new rental units. The 2,750 rental units currently under construction are anticipated to meet approximately one-half of that demand.

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### 3-Year Housing Demand Forecast

|            | Sales Units        | Rental Units |
|------------|--------------------|--------------|
| Durham HMA | Total Demand       | 9,475        |
|            | Under Construction | 1,025        |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2020. Sales demand includes an estimated demand for 200 mobile homes. The forecast period is December 1, 2020, to December 1, 2023.

Source: Estimates by the analyst



# Economic Conditions

## Largest sector: Education and Health Services

The education and health services sector, which includes Duke University and the Duke University Health System, is the largest nonfarm payroll sector in the HMA, followed by the government sector, which includes UNC-CH and UNC Health.

## Primary Local Economic Factors

The HMA is home to two top-tier research universities, each with a research hospital. 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 University, with 16,600 students, was the top university in the Southeast region. The two universities and their affiliated health networks account for four of the top five employers in the HMA and anchor the two largest nonfarm payroll sectors (Table 1). Duke University is part of the education and health services sector, and UNC-CH is part of the government sector, representing 23 and 22 percent of total nonfarm payrolls in the HMA, respectively (Figure 1).

In the 2019–2020 fiscal year, Duke and UNC-CH had operating expenses of \$3.2 billion. A study by the North Carolina Independent Colleges and

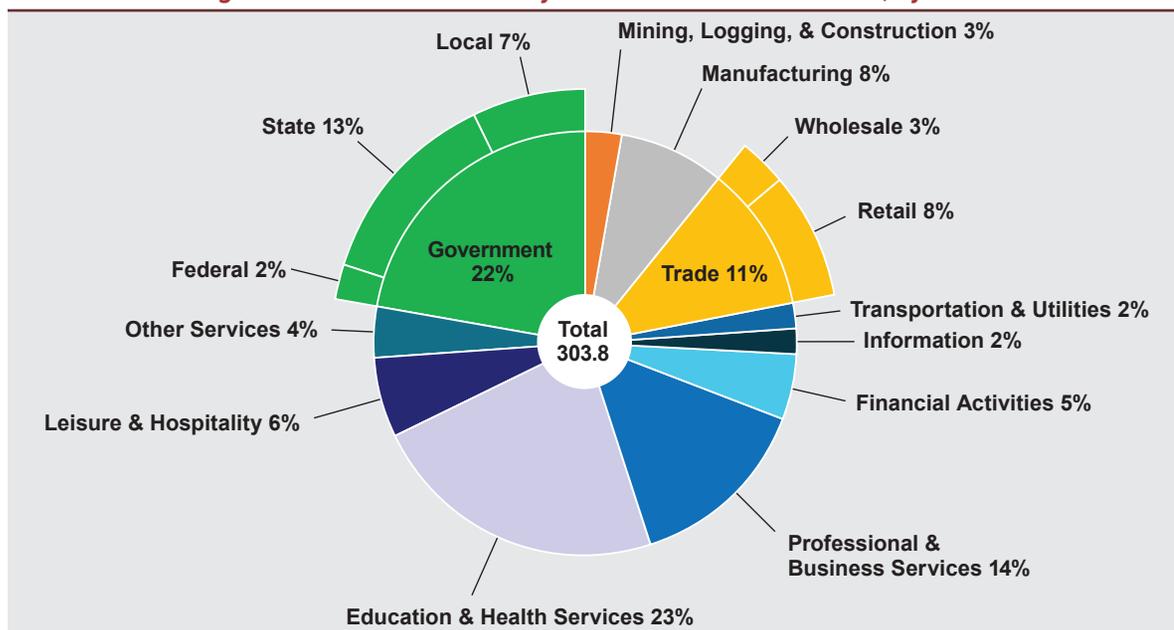
**Table 1. Major Employers in the Durham HMA**

| Name of Employer                             | Nonfarm Payroll Sector           | Number of Employees |
|--|----------------------------------|---------------------|
| Duke University Health System                | Education & Health Services      | 24,000              |
| University of North Carolina at Chapel Hill  | Government                       | 11,050              |
| International Business Machines Corporation  | Information                      | 9,050               |
| Duke University                              | Education & Health Services      | 8,000               |
| UNC Health                                   | Government                       | 7,100               |
| Cisco Systems, Inc.                          | Information                      | 5,000               |
| Blue Cross and Blue Shield of North Carolina | Education & Health Services      | 4,700               |
| IQVIA Holdings Inc.                          | Professional & Business Services | 4,570               |
| Fidelity & Trust Financial Corporation       | Financial Activities             | 3,600               |
| Durham VA Health Care System                 | Government                       | 3,000               |

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

**Figure 1. Share of Nonfarm Payroll Jobs in the Durham HMA, by Sector**



Note: The current date is December 1, 2020.

Source: U.S. Bureau of Labor Statistics



Universities estimated that UNC-CH, including the healthcare system, had a \$7.1 billion economic impact on the state, and Duke University and its Health System created \$5.8 billion for the state in the 2012–2013 fiscal year.

RTP includes facilities associated with Duke University, UNC-CH, and North Carolina State University (NCSU), which is in the neighboring Raleigh-Cary, NC MSA (hereafter, Raleigh MSA). RTP was founded in 1959 and is a leading incubator of biotech research and development that encourages collaboration among the universities, established companies, and start-ups. RTP consists of 70,000 acres of unincorporated land, mostly in Durham County. The park is one of the most popular locations for contract research organizations (CROs), which contract to manage and support clinical trials by pharmaceuticals, biotechnology, and medical device firms. Of the top 10 international CROs, 8 have some presence at RTP, and 3 of the top 5 are headquartered within the Triangle, the area between the cities of Chapel Hill, Durham, and Raleigh. The second largest CRO, IQVIA, is headquartered in the HMA. RTP, which contains more than 55,000 highly skilled employees, has a considerable economic impact on the HMA. The original goal of the park was to retain highly educated students in the area by creating desirable jobs. RTP contributes significantly to the high portion of bachelor's degrees and graduate/professional degrees in the HMA. Of the population age 25 years or older, 47.7 percent have at least a bachelor's degree, and 23.7 percent have a graduate or professional degree (2010 and 2019 American Community Survey [ACS] 5-year estimates, with adjustments by the analyst). The portions for the nation are 32.1 and 12.4 percent, respectively.

The bordering Raleigh MSA has a significant impact on the economy of the HMA, in part because it has a population of more than 1.3 million—more than

double that of the HMA (2019 ACS 1-year estimates). Approximately 23 percent of all employed residents in the HMA commute to jobs within the Raleigh MSA compared with 54 percent who commute to jobs in the HMA (2018 ACS 1-year estimates). Of the jobs in the Durham HMA, 30 percent are held by residents of the Raleigh MSA, while residents of the Durham HMA hold 45 percent. Durham County, the most populous county in the HMA, and Wake County, the most populous county in the Raleigh MSA, account for the bulk of the commuting. The counties share a significant border, which includes RTP and Interstate 40.

### Current Conditions—Nonfarm Payrolls

After adding jobs at a strong rate for much of the 2010s, economic conditions in the Durham HMA weakened during the past year, largely because of the effect of the COVID-19 pandemic. During the 12 months ending November 2020, nonfarm payrolls in the HMA fell by 18,100 jobs, or 5.6 percent, to 303,800, compared with the previous 12 months, ending 9 years of job growth (Table 2). The largest job losses occurred in the leisure and hospitality sector, which lost 8,700 jobs, or 30.6 percent. Sporting events such as baseball games featuring the Durham Bulls—a minor league baseball team affiliated with the Tampa Bay Rays' Major League team—have been played in mostly empty stadiums since the start of the pandemic. Performance venues, including the Durham Performing Arts Center, have canceled all performances indefinitely. The second largest losses were in the manufacturing sector, which declined by 4,700 jobs, or 16.8 percent. Only two sectors added jobs during the most recent 12 months. The government sector expanded by 700 jobs, or 1.0 percent, and the mining, logging, and construction sector added 200 jobs, or 2.2 percent, as construction activity has remained largely exempt from restrictions associated with the pandemic.



**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Durham HMA, by Sector**

|                                   | 12 Months Ending<br>November 2019 | 12 Months Ending<br>November 2020 | Absolute<br>Change | Percentage<br>Change |
|-----------------------------------|-----------------------------------|-----------------------------------|--------------------|----------------------|
| <b>Total Nonfarm Payroll Jobs</b> | 321.9                             | 303.8                             | -18.1              | -5.6                 |
| <b>Goods-Producing Sectors</b>    | 37.2                              | 32.7                              | -4.5               | -12.1                |
| Mining, Logging, & Construction   | 9.2                               | 9.4                               | 0.2                | 2.2                  |
| Manufacturing                     | 28.0                              | 23.3                              | -4.7               | -16.8                |
| <b>Service-Providing Sectors</b>  | 284.8                             | 271.1                             | -13.7              | -4.8                 |
| Wholesale & Retail Trade          | 33.0                              | 32.7                              | -0.3               | -0.9                 |
| Transportation & Utilities        | 6.6                               | 6.5                               | -0.1               | -1.5                 |
| Information                       | 4.8                               | 4.7                               | -0.1               | -2.1                 |
| Financial Activities              | 15.5                              | 15.3                              | -0.2               | -1.3                 |
| Professional & Business Services  | 45.3                              | 43.4                              | -1.9               | -4.2                 |
| Education & Health Services       | 72.5                              | 70.0                              | -2.5               | -3.4                 |
| Leisure & Hospitality             | 28.4                              | 19.7                              | -8.7               | -30.6                |
| Other Services                    | 11.5                              | 11.0                              | -0.5               | -4.3                 |
| Government                        | 67.2                              | 67.9                              | 0.7                | 1.0                  |

Notes: Based on 12-month averages through November 2019 and November 2020. Numbers may not add to totals due to rounding. Data are in thousands. Source: U.S. Bureau of Labor Statistics

## COVID-19: March Through November 2020

COVID-19 was declared a pandemic by the World Health Organization and the governor of North Carolina on March 11, 2020. The governor issued a stay-at-home order on March 30 and banned gatherings of 10 or more people. The stay-at-home order was lifted as of May 22, although gatherings remained limited. The current phase of restrictions, which raised the maximum number of people in certain situations, began on October 2, 2020. In response to the pandemic, both Duke University Hospital and UNC Medical Center restricted non-urgent visits in March and April. UNC-CH and Duke University both moved to remote learning as an alternative to in-person classes. The pandemic countermeasures, including increased distancing and testing, allowed the campuses and on-campus housing to remain open.

Nonfarm payrolls in the HMA fell by a combined 40,500 jobs, or 12.4 percent, from March through May 2020. Nationally, nonfarm payrolls reached a low in April—down 13 percent from February 2020. Job losses associated with the pandemic were primarily in the leisure and hospitality sector and the manufacturing sector, although restrictions at Duke and UNC-CH—which ordinarily mitigate job losses in the HMA during economic downturns—contributed to the extra month of net job losses and relatively muted recovery in the HMA. From

June through November 2020, the HMA added 22,200 jobs or 54.8 percent of the jobs lost from March through May 2020. Nationally, 67.0 percent of the jobs lost during March and April were recovered as of November 2020.

## Current Conditions— Unemployment

The unemployment rate in the Durham HMA rose significantly during the past year due largely to job losses associated with the pandemic. The unemployment rate increased from 3.5 percent during the 12 months ending November 2019 to 6.2 percent during the 12 months ending November 2020 (Figure 2). By comparison, the national unemployment rate rose from 3.7 to 7.8 percent during the same period. The unemployment rate in the HMA has generally been lower than the national rate during the past two decades and, immediately before the pandemic, was lower than at any time since 2000—due in part to the stability of the underlying local economic foundation. The previous lowest rates for the HMA and the nation—3.8 and 4.5 percent, respectively—were before the Great Recession, during November 2007. The current unemployment rate in the HMA is lower than the previous peak during the 12 months ending November 2010, when the unemployment rate was 8.3 percent. The national rate during the same period was 9.7 percent.

## Economic Periods of Significance

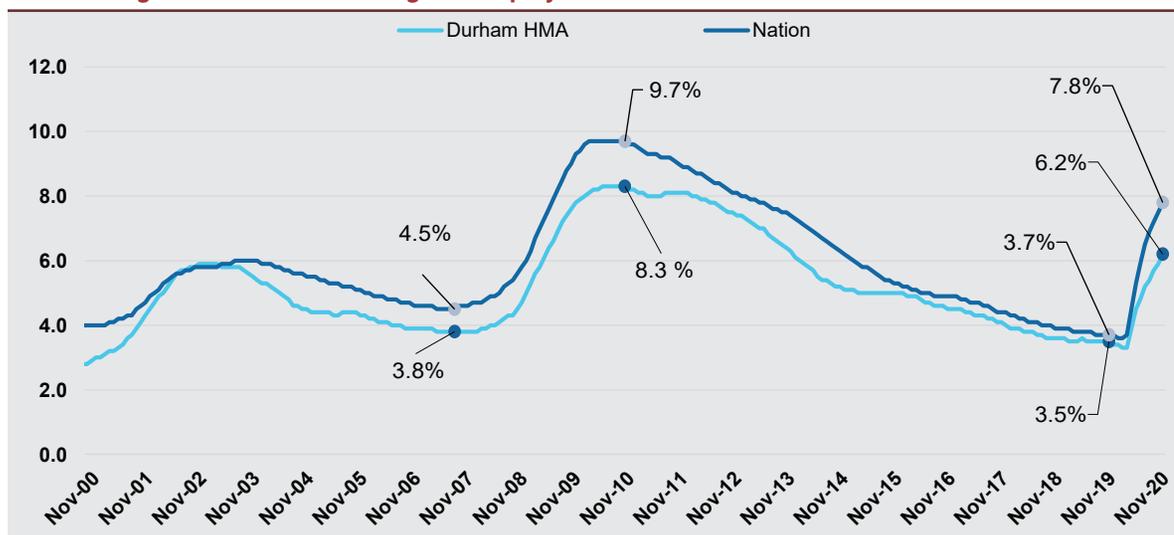
### 2000 Through 2008

The Durham HMA lost an average of 500 jobs, or 0.2 percent, from 2001 through 2003 but subsequently added jobs at a relatively strong rate from 2004 through 2008. From 2004 through 2008, on average, nonfarm payrolls in the HMA increased by 5,700 jobs, or 2.2 percent, each year, compared with a net average annual increase of 1.0 percent nationally (Figure 3). The education and health services sector in the HMA gained 1,800 jobs, or 4.0 percent, annually during the period, and the government sector, the next largest, increased by an average of 1,200 jobs, or 2.0 percent, a year. Gains in the two sectors were closely associated with Duke University and UNC Medical Center, respectively. Duke University spent \$835 million on a 5-year expansion plan consisting of 34 projects completed in 2006. In 2007, the North Carolina general assembly established the UNC Lineberger Comprehensive Cancer Center, part of the UNC-CH campus.

### 2009 Through 2010

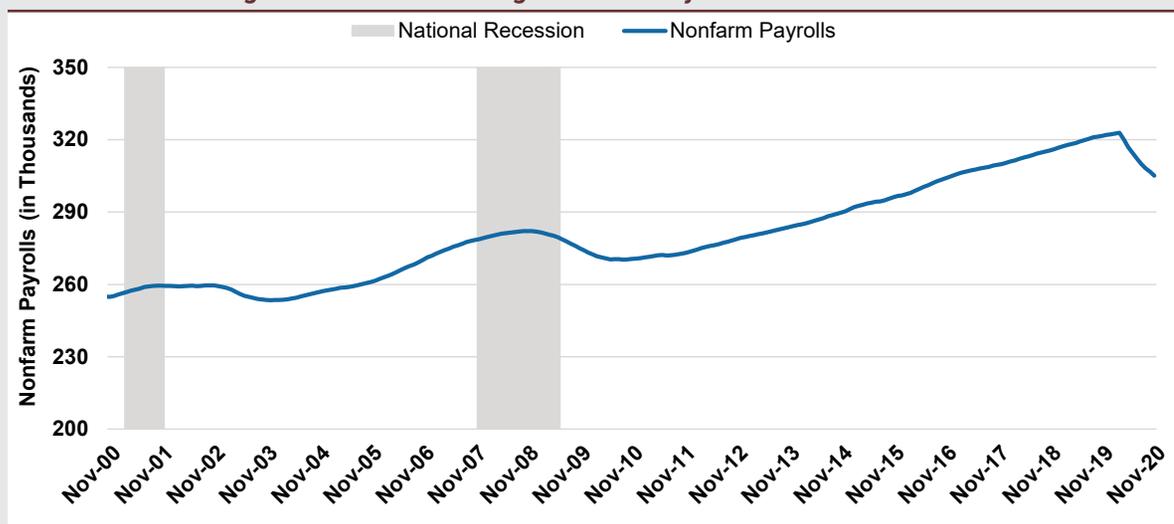
From 2009 through 2010, nonfarm payroll jobs in the HMA decreased by an average of 5,700 jobs, or 2.0 percent, annually due to the Great Recession, compared with an average annual decline of 2.5 percent for the nation. The largest losses in the HMA were in the manufacturing sector, which lost an average of 3,800 jobs, or 10.4 percent,

Figure 2. 12-Month Average Unemployment Rate in the Durham HMA and the Nation



Note: Based on the 12-month moving average.  
Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Nonfarm Payrolls in the Durham HMA



Note: 12-month moving average.  
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics



annually. Most of those losses were associated with tobacco, textiles, furniture, and processed food production. A decline in construction activity associated with a surplus of available housing contributed to significant losses in the mining, logging, and construction sector, which declined by an average of 1,400 jobs, or 14.9 percent, a year during the period. The retail trade subsector lost an average of 500 jobs, or 2.2 percent, annually due to decreased consumer spending during the period. The 2009 bankruptcy of Nortel Networks Inc.—a telecommunications and data networking equipment manufacturer—resulted in the loss of 2,100 jobs and contributed to average annual declines of 300 and 200 jobs in the information sector and the professional and business services sector, respectively. The two sectors with the only gains during the period were those associated with the universities. The education and health services and the government sectors increased by averages of 1,100 and 300 jobs, or 2.0 and 0.4 percent, annually, respectively.

### 2011 Through 2019

From 2011 through 2019, the Durham HMA had strong job growth compared with the nation. Nonfarm payrolls in the HMA increased by an average of 5,700 jobs, or 1.9 percent, a year during the period, surpassing the 2008 prerecession peak of 282,100 jobs during 2013. By comparison, the national rate of job growth during the period averaged 1.5 percent a year. The largest gains in the HMA were in the education and health services and the professional and business services sectors, which added averages of 2,200 and 1,100 jobs, or 3.6 and 2.8 percent, annually, respectively. In early 2012, the Duke Cancer Center opened next to Duke Hospital in Durham. The Cancer Center consolidated nearly all outpatient clinical cancer care services at Duke and treats 50,000 patients a year. The only sector to lose jobs during the period was the manufacturing sector, which declined by an average of 300 jobs, or 1.0 percent, annually. Those losses included downsizing among pharmaceutical companies such as GlaxoSmithKline plc, which eliminated 180 jobs in 2015 and 100 jobs in 2019.

### Forecast

During the next 3 years, nonfarm payrolls in the HMA are expected to increase at an average rate of 2.2 percent annually, with the number of jobs expected to surpass the pre-pandemic level in the third year of the forecast period. Several projects which have recently been announced are expected to contribute to notable gains in the education and health services, the professional and business services, and the information sectors. In September 2020, RTP broke ground on a \$1.5 billion hub project expected to encompass more than 44 acres of residential, retail, and hotel space. In the manufacturing sector, ApiJect Systems Corp. is constructing an \$800 million vaccine syringe production plant that is expected to open in 2022. The facility is anticipated to produce up to 3 billion single-dose prefilled injectors a year and create 650 jobs.



# Population and Households

Current population: 590,100

Strong economic growth led to an average net in-migration of 5,450 and net natural change (resident births minus resident deaths) of 2,575 annually since 2010, compared with an average of 4,475 and 3,300 a year, respectively, from 2000 to 2010 (U.S. Census Bureau decennial census counts and estimates by the analyst).

## Population Trends

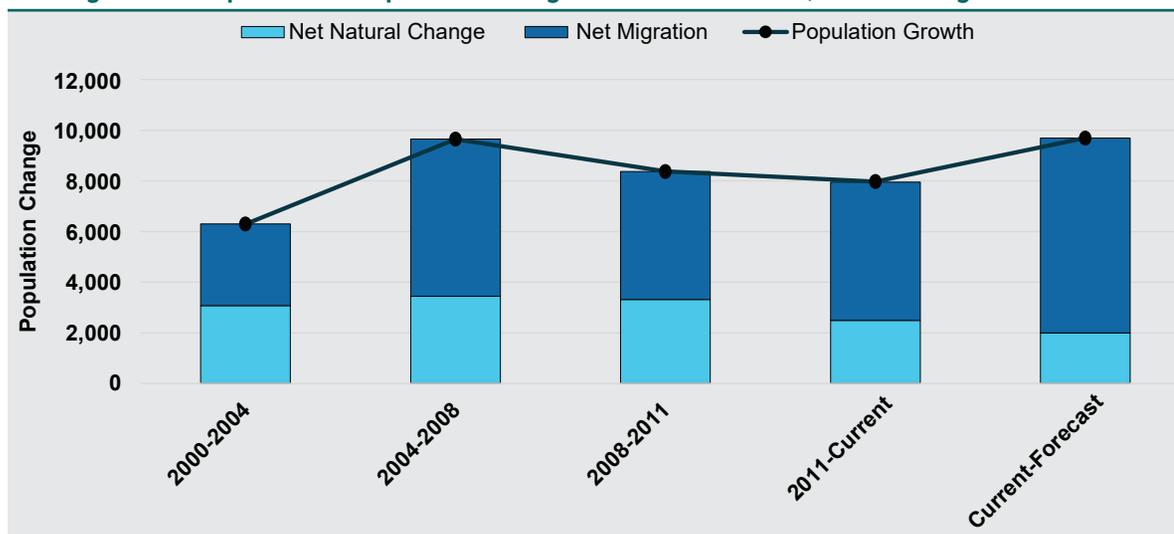
Despite job losses during the past year, economic conditions have been strong in the Durham HMA during much of the period since the early 2010s, contributing to relatively high levels of net in-migration and strong population growth (Table 3). As of December 1, 2020, the population of the HMA is estimated at 590,100—an average annual increase of 7,975, or 1.5 percent, since 2011. Net in-migration has averaged 5,475 people a year since 2011 and accounted for 69 percent of total population growth, reflecting the improving economic conditions (Figure 4). Population growth averaged 8,375, or 1.7 percent, annually in the HMA from 2008 to 2011, when weak economic conditions limited net in-migration to an average of only 5,050 people a year, or 60 percent of population growth. Net

Table 3. Durham HMA Population and Household Quick Facts

|                               | 2010                  | Current | Forecast |         |
|-------------------------------|-----------------------|---------|----------|---------|
| <b>Population Quick Facts</b> | <b>Population</b>     | 504,357 | 590,100  | 619,200 |
|                               | Average Annual Change | 7,775   | 8,025    | 9,700   |
|                               | Percentage Change     | 1.7     | 1.5      | 1.6     |
| <b>Household Quick Facts</b>  | <b>Households</b>     | 202,476 | 240,800  | 253,500 |
|                               | Average Annual Change | 3,375   | 3,600    | 4,225   |
|                               | Percentage Change     | 1.8     | 1.6      | 1.7     |

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (December 1, 2020) to December 1, 2023. Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

Figure 4. Components of Population Change in the Durham HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (December 1, 2020) to December 1, 2023. Sources: U.S. Census Bureau; current to forecast—estimates by the analyst



natural change was 33 percent higher on average compared with the period starting in 2011, in part due to higher birth rates. By comparison, the population of the HMA increased by an average of 9,650, or 2.1 percent, a year during the period of economic expansion from 2004 to 2008, when net in-migration averaged 6,200 people annually. Both in-migration and net natural change were higher, on average, each year compared with either of the later periods. In-migration, propelled by job growth, accounted for 64 percent of the population increase.

## Population by Geography

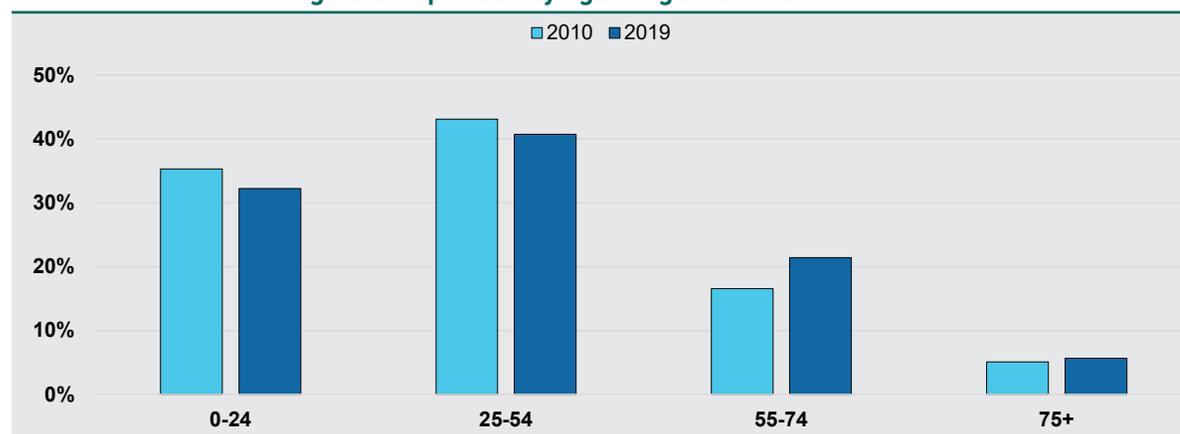
Recent population growth rates in the HMA are generally consistent with trends in economic activity. Durham and Chatham Counties increased from 52 to 55 percent and 8 to 13 percent of the HMA population, respectively, from 2000 to 2019 (U.S. Census Bureau decennial census counts and 2019 ACS 1-year estimates). Conversely, Orange and Person Counties decreased from 28 to 25 percent and 8 to 7 percent of the HMA population, respectively, during the same period. 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 HMA by population and the smallest in area and has added the most residents during the past two decades. Durham County added an average of 5,100 people annually from 2000 to 2019, compared with averages of 1,575, 1,300, and 200

people, respectively, in Orange, Chatham, and Person Counties. During the period, the fastest average annual population growth rate of 2.2 percent was in Chatham County, compared with average annual rates of 1.9, 1.2, and 0.5 percent in Durham, Orange, and Person Counties, respectively. Much of the recent growth in Chatham County has occurred near the Raleigh MSA and Orange County borders. Chatham County is more affordable in terms of taxes and land. New and existing home prices in the 12 months ending November 2020 averaged \$406,200 in Chatham County compared with \$418,600 in Orange County (Zonda). Chatham County also has larger home sizes, which averaged 2,625 square feet compared with 2,250 square feet in Orange County.

## Age Cohort Trends

Population in the HMA has grown in all age cohorts during the past two decades. However, only the cohorts older than age 55 increased in proportion. The HMA is an appealing destination for retirees for reasons including temperate weather, relatively low cost of living, and access to state-of-the-art medical facilities. The share of residents aged 55 and older in the HMA increased from 21.6 in 2010 to 27.0 percent in 2019 (2010 and 2019 ACS 5-year estimates, with adjustments by the analyst). The fastest growth within the age cohort occurred in people aged 65 to 74, which rose from 5.7 percent of the population in 2010 to 9.0 percent in 2019. Due largely to the presence of RTP, the HMA has retained a significant number of highly educated recent graduates. Despite that fact, the proportion aged 25 to 54 years fell from 43.1 to 40.7 percent (Figure 5). That decline was smaller than the drop for those younger than 25 years of age, which decreased from 35.3 to 32.2 percent.

Figure 5. Population by Age Range in the Durham HMA



Sources: 2010 and 2019 American Community Survey, 5-year estimates



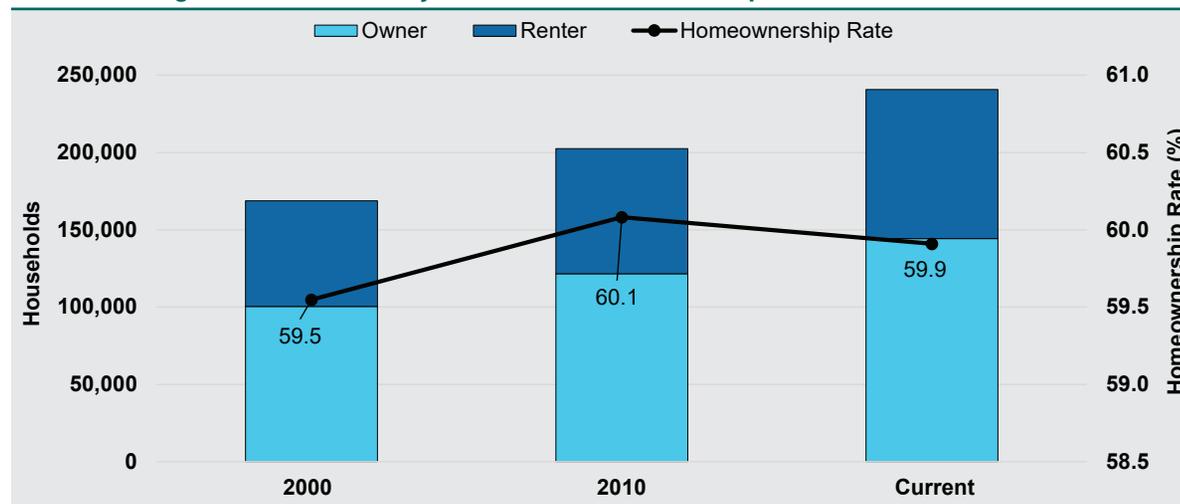
## Household Trends

As of December 2020, the number of households in the HMA is estimated at 240,800—an average annual increase of 3,600, or 1.6 percent, since April 2010 (Figure 6). Household growth trends have generally mirrored population growth. The household growth rate has slowed since the period from 2000 to 2010 when the number of households increased by an average of 3,375, or 1.8 percent, a year. Homeownership has trended downward in the HMA since 2010, partly due to the increased proportion of retirees and the decline in homeownership following the Great Recession. The homeownership rate in the HMA is estimated to have declined from 60.1 percent in 2010 to 59.9 currently but remains higher than the 59.5-percent rate in 2000.

## Forecast

During the next 3 years, the HMA population is expected to increase by an average of 9,700, or 1.6 percent, a year, to 619,200—similar to the rate of population growth during the economic recovery in the early 2010s. An average net in-migration of nearly 7,700 people a year is expected. However, net natural change is expected to decrease slightly due to the growing retiree population. The number of households in the HMA is expected to increase by an average of 4,225, or 1.7 percent, a year, to 253,500.

**Figure 6. Households by Tenure and Homeownership Rate in the Durham HMA**



Note: The current date is December 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst



# Home Sales Market

## Market Conditions: Tight, but Improving

During the 12 months ending November 2020, new and existing home sales in the HMA decreased 1 percent to 9,250 homes. The average home sales prices increased 7 percent, to \$350,200.

## Current Conditions

The overall sales market in the Durham HMA is tight, with an estimated vacancy rate of 1.1 percent—down from the 2.6-percent rate during April 2010 (Table 4). Pandemic countermeasures, such as restrictions on realtors and open houses, have contributed to a significant decrease in the number of homes listed for sale during the past year. Examples of restrictions mandated by the state and local governments include banning open houses, showing non-vacant homes, and entering a home along with buyers. The number of listings in the HMA fell to 1,175 homes during November 2020—down 13 percent from a year ago (CoreLogic, Inc.). By comparison, the number of listings for the nation decreased 31 percent during the same period. The current number of listings in the HMA represents a 2.1-month supply of available for-sale inventory—down from 2.5 months a year ago and compared with an average 2.9-month supply from 2015 through 2019 (CoreLogic, Inc.). By comparison,

**Table 4. Home Sales Quick Facts in the Durham HMA**

|                                  | Durham HMA | Nation    |
|----------------------------------|------------|-----------|
| <b>Vacancy Rate</b>              | 1.1%       | NA        |
| <b>Months of Inventory</b>       | 2.1        | 2.4       |
| <b>Total Home Sales</b>          | 9,250      | 4,311,000 |
| 1-Year Change                    | -1%        | -5%       |
| <b>New Sale Price</b>            | \$435,100  | \$408,800 |
| 1-Year Change                    | 5%         | -1%       |
| <b>Existing Price</b>            | \$330,100  | \$341,500 |
| 1-Year Change                    | 7%         | 9%        |
| <b>Mortgage Delinquency Rate</b> | 3.1%       | 4.1%      |

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending November 2020; and months of inventory and mortgage delinquency data are as of November 2020. The current date is December 1, 2020.

Sources: CoreLogic, Inc.; Zonda

national data shows a 2.4-month supply of available for-sale inventory as of November 2020—down from 3.6 months in November 2019 and well below the average 4.3-month supply from 2015 through 2019.

During the 12 months ending November 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 9,250 homes sold in the Durham HMA—down from 9,325 homes sold during the previous 12 months but slightly above the prerecession high of 9,150 during 2006 (Zonda). Low interest rates and a reduced number of available listings contributed to increased home sales prices during the past year. The average home sales price in the HMA increased 7 percent, to \$350,200, during the 12 months ending November 2020, compared with a 5-percent increase for the previous 12 months. New home sales decreased 1 percent, to 1,750, during the most recent 12 months, and the average price for a new home increased 5 percent, to \$435,100. Regular resales decreased less than 1 percent, to 7,350 homes, during the 12 months ending November 2020. The average price for a regular resale home rose to \$331,800—up 7 percent from a year earlier. REO sales declined 34 percent, to 160 homes, during the most recent 12 months, and the average price for an REO sale increased 3 percent, to \$231,000.



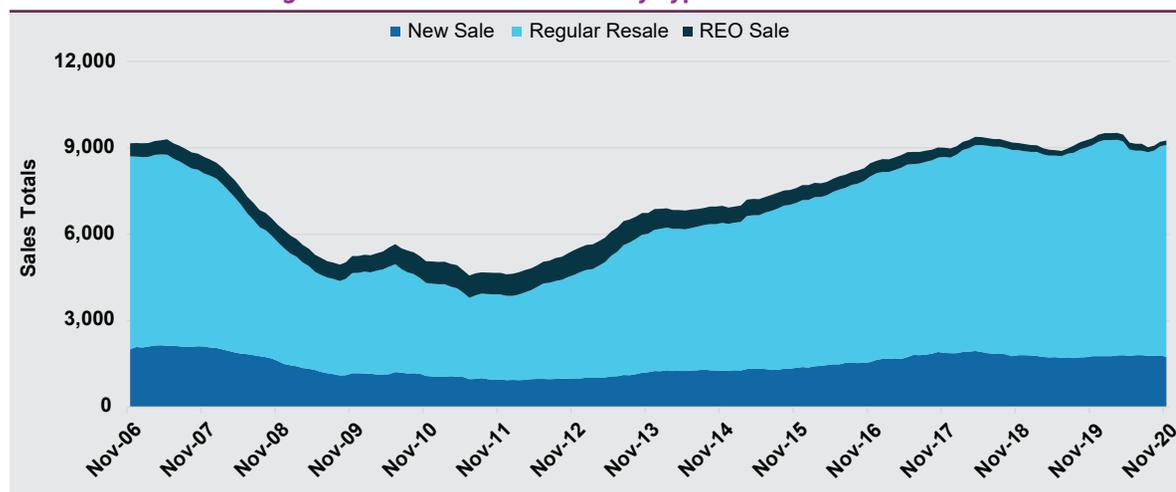
## Home Sales Trends

Despite declining numbers of REO sales, home sales have generally trended upward in the HMA since the early 2010s as economic conditions improved (Figure 7). In 2006, before the housing crisis, 9,150 homes were sold in the HMA, including 2,075 new homes, 6,600 regular resales, and only 470 REO sales. The total number of homes sold declined by an average of 13 percent annually during the following 5 years, to a low of 4,600 in 2011. From 2007 through 2011, new home sales and regular resales averaged 1,350 and 3,925, respectively. REO sales averaged 650 homes a year during the period, or 11 percent of total home sales. From 2012 through 2014, as economic conditions neared full recovery, an average of 6,450 homes were sold annually. During the period, new home sales and regular resales averaged 1,175 and 4,550, respectively. REO sales averaged 720 a year but remained 11 percent of all sales. From 2015 through 2019, home sales generally rose, as strong job growth continued. During the period, an average of 8,750 homes sold each year in the HMA, including averages of 1,700 new homes and 6,725 regular resales annually. REO sales decreased to an average of 350 homes annually and fell to 4 percent of all home sales during the period, as surplus inventory from the housing crisis was absorbed.

## Home Sales Price Trends

Home sales prices have generally trended upwards in the HMA since the early 2010s, as available

Figure 7. 12-Month Sales Totals by Type in the Durham HMA



REO = real estate owned.  
Source: Zonda, with adjustments by the analyst

inventory has declined (Figure 8). After reaching a low of \$249,400 during 2009, the average home sales price in the HMA rose during 8 of the next 10 years, averaging 3 percent each year, to \$328,700 during 2019. New home sales prices in the HMA declined more significantly than regular resale prices during the housing crisis in the late 2000s and early 2010s but have since increased at a faster rate, as sustained economic growth has supported increasing demand. The average new home sales price declined an average 5 percent annually, from a high of \$322,800 during 2007 to \$266,700 during 2011 but rose an average of 6 percent annually during the next 8 years, to \$412,800 during 2019, reflecting the strong economic conditions. By comparison, the average price for regular resales declined for 3 years, from 2012 through 2014, at an average annual rate of 2 percent, after peaking at \$266,600 during 2011, reflecting decreased sales and weak economic conditions. The average price for a regular resale subsequently rose during each of the next 5 years to reach \$311,400 during 2019—an average increase of 4 percent annually, from a low of \$253,400 during 2014. The average price for REO sales, which depend on inventory, declined 16 percent in 1 year, from a high of \$143,200 during 2011 to \$120,500 during 2012, but increased an average of 9 percent each year during the next 7 years, to \$221,700 during 2019.

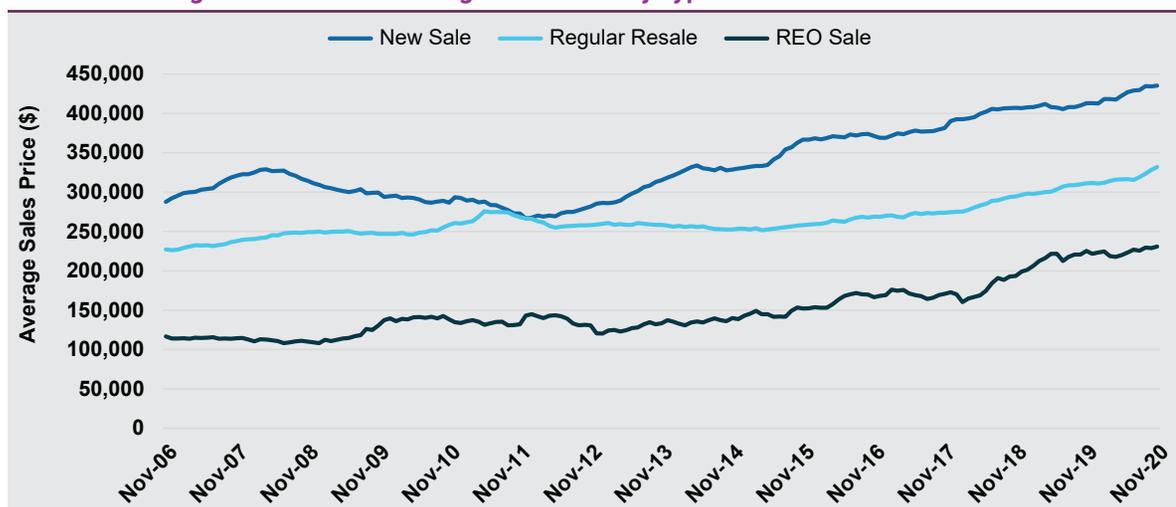
## Delinquent Mortgages

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which became law during March 2020, provided a 6-month mortgage forbearance for homeowners with federally backed mortgages. The rate of seriously delinquent mortgages and REO properties in the HMA rose significantly during the past year—due to an increase in delinquencies but not foreclosures because forbearance prevented foreclosures during the pandemic. In November 2020, 3.1 percent of home loans in the Durham HMA were seriously delinquent or had transitioned into REO status—higher than the 1.0 percent a year earlier but below the peak of 5.0 percent in January 2012 (CoreLogic, Inc.). By comparison, the negative impact of job losses on mortgagees due to the pandemic resulted in the national mortgage delinquency rate rising to 4.1 percent during November 2020—up from 1.4 percent in November 2019 but still lower than the 8.6-percent peak in January 2010. The HMA mortgage delinquency rate has been below the national rate since 2007.

## Sales Construction Activity

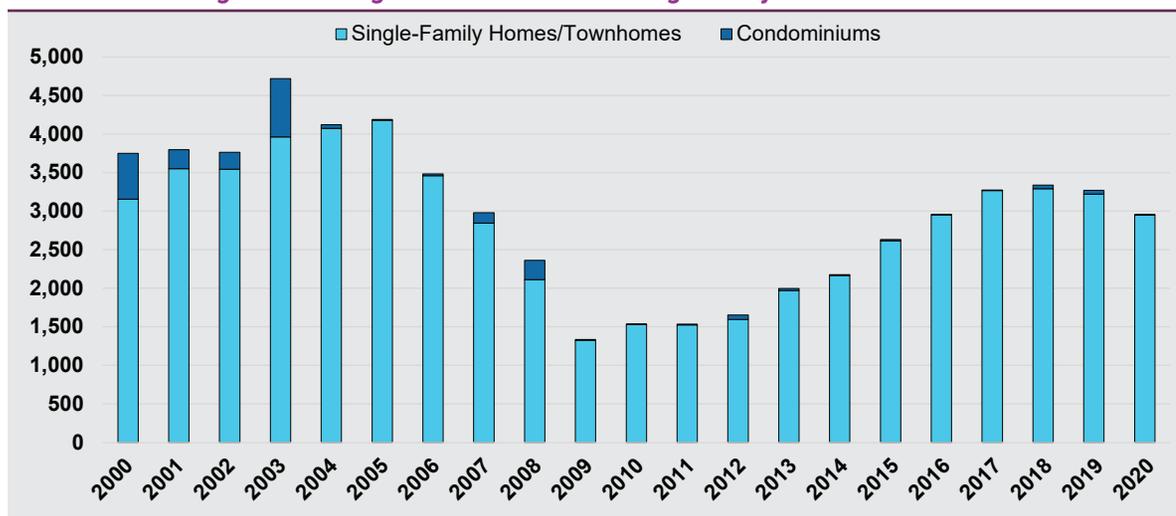
Home construction slowed modestly during the past year but has generally risen since 2010 (Figure 9). As measured by the number of single-family homes, townhomes, and condominiums (hereafter, homes) permitted, sales construction activity in the HMA during the 12 months ending November 2020 totaled 3,175 homes—a decline of 80 homes, or 2 percent, from the previous 12

Figure 8. 12-Month Average Sales Price by Type of Sale in the Durham HMA



REO = real estate owned.  
Source: Zonda, with adjustments by the analyst

Figure 9. Average Annual Sales Permitting Activity in the Durham HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through November 2020.  
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

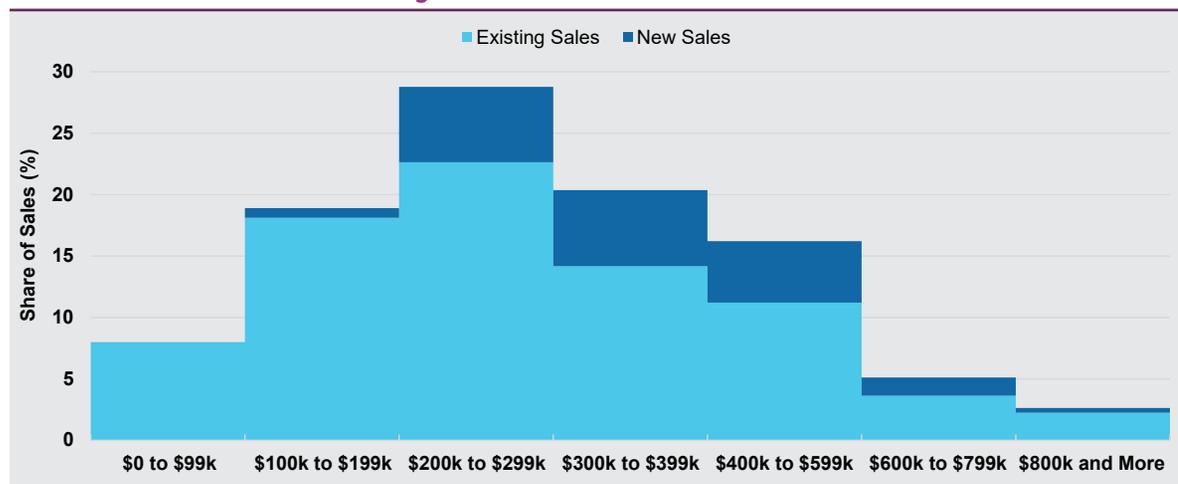


months. From 2000 through 2005, home permitting was strong, averaging 4,050 homes annually. From 2006 through 2009, a period that includes the start of the housing crisis, the number of homes permitted in the HMA fell an average of 25 percent each year, to a low of 1,325. Some builders went bankrupt or downsized during the period suffering the aftereffects of speculative homebuilding, using their own funds to construct homes before having a buyer. Restricted credit made homebuying more difficult, and foreclosures rose as a share of available supply, crowding out new construction. From 2010 through 2019, however, the number of homes permitted increased during 8 of the 10 years, to 3,275 in 2019 as economic conditions strengthened and excess supply was absorbed.

Recent new home construction has been concentrated in cheaper, less developed parts of the HMA. Relatively few homes were built during the past decade in Orange County, which has some of the highest land costs and local property taxes in the HMA, although significant construction has occurred along the county borders with Chatham and Durham Counties. During the previous period of economic expansion, from 2003 through 2005, Chatham and Orange Counties permitted an average of 650 and 1,075 homes annually, respectively. During the most recent expansion, from 2016 through 2018, the average number of homes permitted in Chatham County was 700 homes, and the average number of homes permitted in Orange

County was 500 homes. Construction has also been notable near the Raleigh MSA, particularly in Chatham County, where developments are being constructed targeting commuters and retirees with self-contained neighborhoods near golf courses. In 2019, Chatham County contained 17 percent of total single-family homes built in the HMA—slightly more than Orange County, with 15 percent, despite having one-half the population. Sixty-four percent of all single-family homes built in the HMA during the same period were in Durham County, particularly in the southeast part of the county near RTP and areas adjacent to major commuting corridors. Most existing sales in the HMA are sold in the range of \$200,000 to \$299,999, whereas new homes are more highly concentrated in the \$300,000 to \$399,999 price range (Figure 10). A typical community under construction near RTP is Lakeshore, with 250 plots, in the city of Durham. The development offers 13 customizable floor plans, with two-, three-, and four-bedroom models starting at \$297,900, \$306,900, and \$359,900, respectively. More than 180 homes have been built. South of Chapel Hill and Durham, in less developed Chatham County, Legacy at Jordan Lake has roughly 90 of its 450 lots available. The neighborhood offers 14 floor plans with three-, four- and five-bedroom models starting at \$370,000, \$390,000, and \$433,000, respectively.

**Figure 10. Share of Overall Sales by Price Range During the 12 Months Ending November 2020 in the Durham HMA**



Note: New and existing sales include single-family homes, townhomes, and condominium units.  
Source: Zonda



## Forecast

During the forecast period, demand is expected for an estimated 9,475 new sales units in the HMA (Table 5). The 1,025 new homes currently under construction are expected to meet some of the forecast demand during the first year. Demand for new homes in the HMA is expected to be steady throughout the forecast period.

**Table 5. Demand for New Sales Units in the Durham HMA During the Forecast Period**

| Sales Units               |             |
|---------------------------|-------------|
| <b>Demand</b>             | 9,475 Units |
| <b>Under Construction</b> | 1,025 Units |

Note: The forecast period is from December 1, 2020, to December 1, 2023.  
 Source: Estimates by the analyst



# Rental Market

## Market Conditions: Slightly Tight, but Improving

From 2009 through 2019, Durham County accounted for 83 percent of apartment construction in the HMA, followed by Orange and Chatham Counties, with 14 and 3 percent, respectively.

## Current Conditions and Recent Trends

The rental housing market in the Durham HMA is slightly tight, with a current vacancy rate for all types of rental units—including apartment units, mobile homes, and single-family homes for rent—estimated at 6.3 percent—down from 9.5 percent in April 2010, when the market was softer (Table 6). Purchases of single-family homes for rent have been notably prevalent in areas around neighborhoods affected by efforts to revitalize the downtown area in the city of Durham. Single-family homes, including townhouses, made up 34.8 percent of the occupied rental units in the HMA in 2019—up from 30.2 percent in 2010 (2010 and 2019 ACS 5-year estimates). The median rent for professionally managed two-bedroom single-family homes in Durham County in 2019 was \$1,275—up 11 percent from 2018. The vacancy rate for such properties was 5 percent during 2019—up slightly from the previous year. The median rent for professionally

**Table 6. Rental and Apartment Market Quick Facts in the Durham HMA**

| Rental Market Quick Facts | 2010 (%)                                  | Current (%) |      |
|---------------------------|---|-------------|------|
|                           | <b>Rental Vacancy Rate</b>                | 9.5         | 6.3  |
|                           | <b>Occupied Rental Units by Structure</b> |             |      |
|                           | Single-Family Attached & Detached         | 30.2        | 34.8 |
|                           | Multifamily (2–4 Units)                   | 11.4        | 11.7 |
|                           | Multifamily (5+ Units)                    | 53.1        | 47.6 |
|                           | Other (Including Mobile Homes)            | 5.3         | 5.9  |
|                           | Current                                   | YoY Change  |      |
|                           | <b>Apartment Vacancy Rate</b>             | 5.4         | 0.7  |
|                           | <b>Average Rent</b>                       | \$1,189     | 1.7  |
| Studio                    | \$1,111                                   | -1.3        |      |
| One-Bedroom               | \$1,052                                   | 1.5         |      |
| Two-Bedroom               | \$1,243                                   | 2.4         |      |
| Three-Bedroom             | \$1,563                                   | 4.4         |      |

YoY= year-over-year.  
 Notes: The current date is December 1, 2020. Percentages may not add to 100 due to rounding.  
 Sources: 2010 and 2019 American Community Survey 5-year data; RealPage, Inc., with adjustments by the analyst

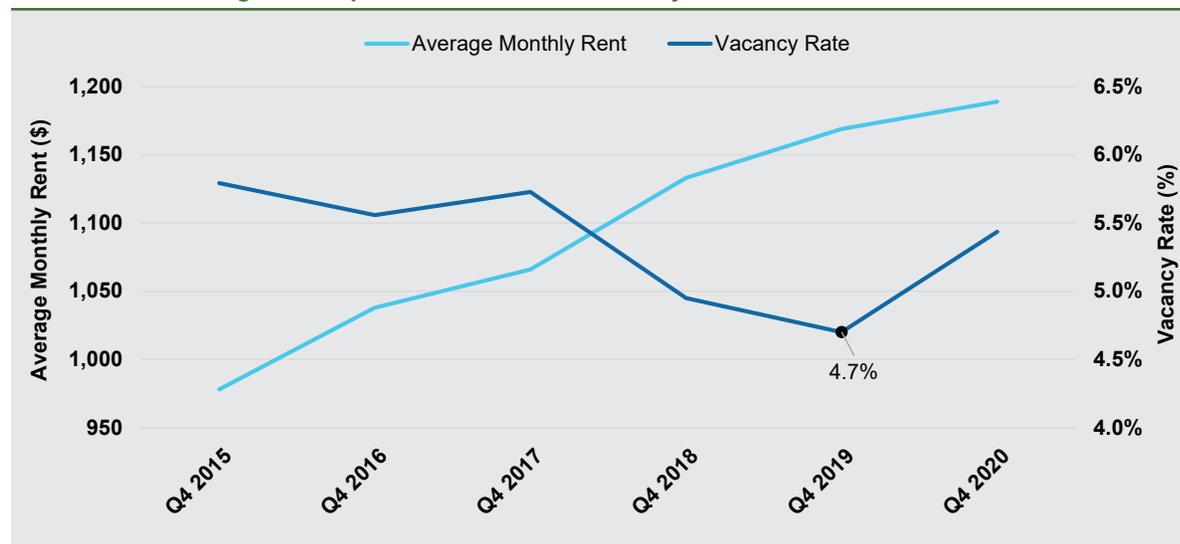
managed three-bedroom single-family homes in Durham County in 2019 was \$1,500—also up 11 percent from 2018. The vacancy rate for such properties was 3 percent during 2019—down slightly from the previous year.

## Current Apartment Market Conditions

The apartment market in the HMA is currently slightly tight, although the apartment vacancy rate increased during the past year. During the fourth quarter of 2020, the apartment vacancy rate in the HMA rose to 5.4 percent from 4.7 percent a year ago, and the average rent increased 2 percent, to \$1,189 (Figure 11). During the past year, the impact of the pandemic was notably varied among the four RealPage, Inc.-defined apartment market areas within the HMA. The Northwest Durham market area, which contains Duke University and the surrounding green space, had the largest increase in apartment vacancy rate in the HMA, rising from 4.0 percent during the fourth quarter of 2019 to 5.9 percent during the fourth quarter of 2020. The area also had the highest average rent in the HMA during the fourth quarter of 2020, \$1,297—a 2-percent increase from the same period a year ago. The East Durham market area, which contains the parts of the HMA least associated with the universities and RTP, was the only market area where the apartment vacancy rate decreased during



**Figure 11. Apartment Rents and Vacancy Rates in the Durham HMA**



Q4 = fourth quarter.  
Source: RealPage, Inc., with adjustments by the analyst

the past year. The apartment vacancy rate in the market area was 4.2 percent as of the fourth quarter of 2020—down from 4.6 percent during the fourth quarter of 2019. The market area had the lowest rent in the HMA during the fourth quarter of 2020, \$1,088—up 3 percent from a year ago. The apartment vacancy rate increased slightly in the Chapel Hill/Carrboro market area, to 6.0 percent, during the fourth quarter of 2020. The average rent in the market area increased to \$1,222—up 2 percent from a year ago. The Southwest Durham market area, which contains RTP and is the market area with the largest apartment inventory, had an average rent of \$1,103 during the fourth quarter of 2020—unchanged from the year before—and a 5.0-percent vacancy rate—up from 4.2 percent during the fourth quarter of 2019.

## Apartment Market Trends

During the past decade, apartment rents in the HMA have generally trended upwards, whereas vacancy has ebbed and flowed based on levels of new supply entering the market. Apartment vacancies were relatively high during the late 2000s but dropped in 2010 and 2011, as apartment construction declined significantly. Builders subsequently responded to declining vacancy rates, the relatively quick economic recovery, and increased population growth with relatively high levels of new apartment construction beginning in 2012. Renter

household growth in the HMA accelerated from 2012 through 2016 but was slower than the rate of new apartment construction, leading to increased apartment vacancy rates. The apartment vacancy rate in the HMA peaked at 5.8 percent during the fourth quarter of 2015 when the average rent was \$978. The apartment vacancy rate decreased slightly to 5.7 percent in the fourth quarter of 2017, a period when the average rent in the HMA increased by an average of 4 percent each year. Significant absorption occurred during each of the next 2 years. By the fourth quarter of 2019, the apartment vacancy rate had decreased to 4.7 percent. The average apartment rent continued to increase at an average 5 percent each year, to \$1,169.

## Student Housing

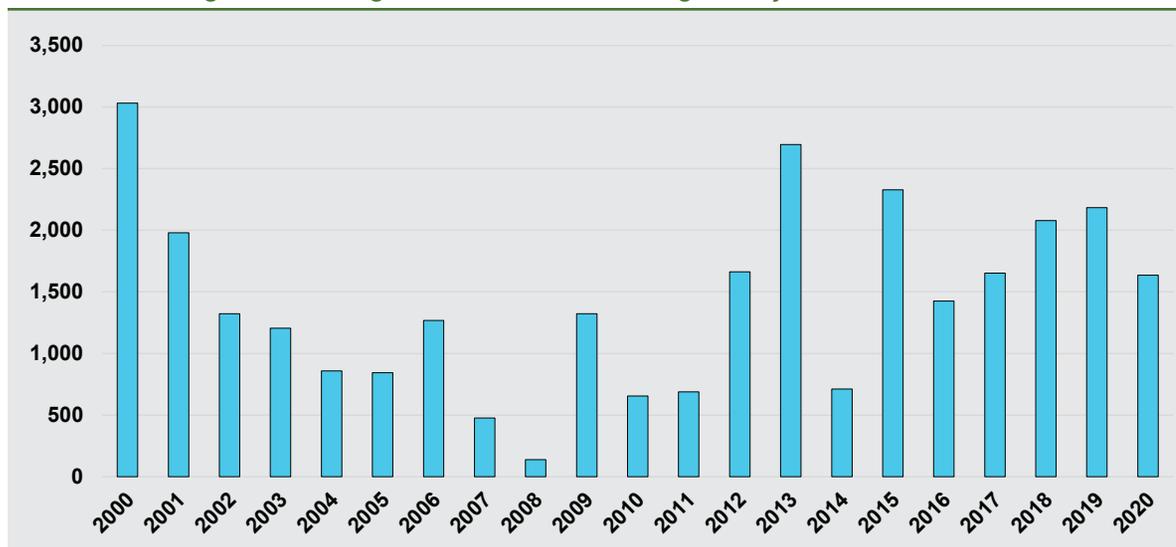
Students account for an estimated 9 percent of renter households in the HMA. Off-campus student apartments associated with Duke University and UNC-CH account for approximately 11 and 6 percent of all apartment units in the HMA, respectively, and are centered near the universities and along the U.S. Route 501 corridor that connects them (Moody’s Analytics REIS). Both universities have had stable enrollment during the past few years, with only minor increases. Of the 30,000 students at UNC-CH, an estimated 15,100 are off-campus renters, 56 percent of whom are undergraduates. For Duke, of the 16,600-student population, an estimated 9,675 are off-campus renters, 7 percent of whom are undergraduates. Undergraduate Duke and UNC-CH students are required to live on campus

for 3 years and 1 year, respectively. In response to COVID-19, both universities rented out local hotels and redistributed students to get individual building capacity down to less than 66 percent. Perhaps in part because UNC-CH announced it would not give students refunds for the fall of 2020 in the event of a campus shutdown and a shift to remote learning, no significant movement off campus occurred at either university. Vacancy rates for student apartments associated with the universities are not directly comparable to the rest of the apartment market because many are rented by the bedroom. However, rents increased 0.9 and 1.2 percent for units associated with Duke University and UNC-CH, respectively, during the past year. Two dormitories are currently under construction near the Duke University campus, totaling 1,475 beds. When complete, the dorms are expected to compete with student housing, primarily in the Northwest Durham market area, although some of the beds are expected to replace older dorms, which would be demolished or converted to other uses.

### Rental Construction Activity

Rental permitting activity generally declined in the HMA during the 2000s but has since trended upward to meet increased demand due to immigration and improving economic conditions. A high of 3,025 units were permitted during 2000, after which the number of units permitted declined during 7 of the next 8 years, to a low of 140 units permitted in 2008 (Figure 12). The number of rental units subsequently rose to an average of 1,425 units

Figure 12. Average Annual Rental Permitting Activity in the Durham HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through November 2020. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

annually from 2009 through 2016, although building fluctuated from year to year. A steadier increase in rental permitting occurred from 2017 through 2019 to an average of 1,975 units permitted annually. Builders slowed development during the past year due to uncertainty associated with the pandemic and the large number of units under construction, although the number of units permitted remained relatively high. During the 12 months ending November 2020, 1,725 units were permitted in the HMA—a 21-percent decrease compared with the 12 months earlier but still higher than the average of 1,600 units permitted each year from 2010 through 2019.

Recent rental construction has been particularly prevalent around the revitalized downtown area in the city of Durham, along the U.S. Route 501 corridor in Chapel Hill, and near both university campuses. Most recently completed projects are along bus lines or within walking distance of a commercial center. Apartment complexes in lease up along the U.S. Route 15-501 corridor include the 328-unit Trilogy Chapel Hill. The property currently offers studios and one-, two-, and three-bedroom apartments starting at \$1,165, \$1,275, \$1,995, and \$2,900, respectively. The 279-unit Candour House in Durham is currently under construction near a shopping center on the outskirts of RTP. When complete, the property is expected to consist of studios and one-, two-, and three-bedroom units, with rents starting at \$1,229, \$1,355, \$1,649, and \$1,909, respectively.



## Forecast

During the 3-year forecast period, demand is estimated for 5,575 new rental units (Table 7). The 2,750 units currently under construction are expected to satisfy a portion of the demand during the first 2 years of the forecast. Construction is expected to continue along current transportation corridors, near the universities and downtown Durham, and in southeast Durham toward RTP.

**Table 7. Demand for New Rental Units in the Durham HMA During the Forecast Period**

| Rental Units              |             |
|---------------------------|-------------|
| <b>Demand</b>             | 5,575 Units |
| <b>Under Construction</b> | 2,750 Units |

Note: The forecast period is December 1, 2020, to December 1, 2023.  
 Source: Estimates by the analyst



# Terminology Definitions and Notes

## A. Definitions

|   |   |
|---|---|
| <b>Forecast Period</b>                    | 12/1/2020–12/1/2023—Estimates by the analyst.   |
| <b>Seriously Delinquent Mortgages</b>     | Mortgages 90+ days delinquent or in foreclosure.  |
| <b>Home Sales/ Home Sales Prices</b>      | Includes single-family home, townhome, and condominium sales.   |
| <b>Demand</b>                             | The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.   |
| <b>Rental Market/ Rental Vacancy Rate</b> | Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.   |
| <b>Building Permits</b>                   | Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits. |



**B. Notes on Geography**

|           |   |
|-----------|---|
| <b>1.</b> | The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018. |
|-----------|---|

**C. Additional Notes**

|                    |   |
|--------------------|---|
| <b>1.</b>          | This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.  |
| <b>2.</b>          | The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions. |
| <b>Cover Photo</b> | iStock  |

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