



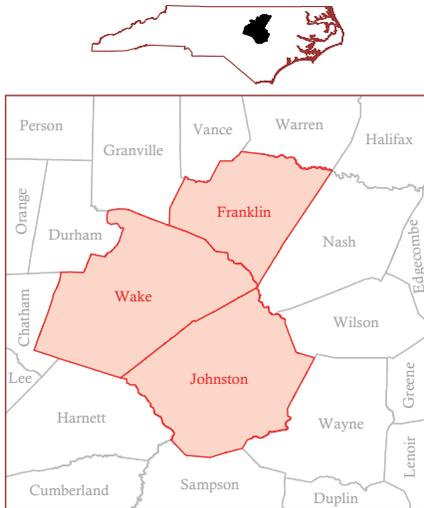
Raleigh, North Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of December 1, 2016



Summary

Housing Market Area



The Raleigh Housing Market Area (HMA) includes Franklin, Johnston, and Wake Counties in central North Carolina and is coterminous with the Raleigh, NC Metropolitan Statistical Area (MSA). The HMA and the nearby cities of Durham and Chapel Hill are often referred to as the “Research Triangle” because of the presence of large research universities in each city. The city of Raleigh, in Wake County, is the state capital and economic base of the HMA.

Market Details

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Economy

The economy of the Raleigh HMA has significantly improved since 2011 after the number of nonfarm payrolls declined during 2009 and 2010. During the 12 months ending November 2016, nonfarm payrolls increased by 18,200 jobs, or 3.1 percent, from the previous 12-month period, to 598,000, and the unemployment rate decreased from 4.8 to 4.3 percent. High-skilled technical and professional employment is the foundation of the local economy. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 17,100 jobs, or 2.9 percent, annually.

Sales Market

The sales housing market in the HMA is currently balanced, with an overall estimated sales vacancy rate of 1.5 percent, down from 2.5 percent in April 2010. During the 12 months ending November 2016, existing home sales totaled 22,300, up 2 percent from the 12 months ending November 2015, and the average sales price increased 9 percent to \$254,300 (CoreLogic, Inc., with adjustments by the analyst). New home sales increased 5 percent to 6,900, and the average price was up 2 percent to \$326,700. During the next 3 years, demand is expected for 29,100 new

homes (Table 1). The 1,900 homes currently under construction and a portion of the 16,000 other vacant units that may reenter the market will satisfy some of the demand.

Rental Market

Rental housing market conditions in the HMA currently are balanced, with an overall estimated vacancy rate of 5.5 percent, down from 8.6 percent in April 2010. The apartment market is also balanced, with an apartment vacancy rate of 4.2 percent in the third quarter of 2016 (MPF Research). During the forecast period, demand is expected for 9,650 new market-rate rental units (Table 1). The 4,000 units currently under construction will satisfy some of the forecast demand.

Table 1. Housing Demand in the Raleigh HMA During the Forecast Period

	Raleigh HMA	
	Sales Units	Rental Units
Total demand	29,100	9,650
Under construction	1,900	4,000

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, 2016. A portion of the estimated 16,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is December 1, 2016, to December 1, 2019.

Source: Estimates by analyst

Economic Conditions

The foundation of the economy of the Raleigh HMA is a highly educated workforce. The percentage of adults in the HMA with bachelor's degrees or higher is 44.4 percent compared with 30.3 percent in the nation (2015 American Community Survey), making the HMA the seventh most-highly educated of the 100 largest MSAs in the nation. North Carolina State University (NCSU) is the largest university in North Carolina, with an enrollment of 31,000, and has an annual economic impact of \$3.3 billion in Wake County (Economic Modeling Specialists). NCSU is in Raleigh and is one of the largest employers in the HMA; Duke University and the University of North Carolina-Chapel Hill are in the adjacent Durham-Chapel Hill, NC MSA. Employment at NCSU, which is included in the government sector, increased by an average of 210 employees annually, or 2.6 percent, from 2013 through 2015, the most recent year of data availability. NCSU's presence in the HMA leads indirectly to job growth through the founding of companies like SAS Institute Inc., which began as a research project at the university and currently employs 5,225 people in the HMA. The economy of the HMA benefits from the partnership of educational, corporate, and government

organizations exemplified in the Research Triangle Park (RTP), one of the premier research and development corporate parks in the nation. RTP, which is in an unincorporated area west of the city of Raleigh, is home to more than 200 organizations that employ a combined 50,000 people. Major tenants include International Business Machines (IBM) Corporation, the largest private employer in the HMA with 10,000 employees (Table 2). Cisco Systems, Inc., and GlaxoSmithKline plc., with approximately 5,500 and 2,600 employees, respectively, also maintain locations at RTP. Many firms at RTP are in the financial activities and information sectors, which directly account for a small percentage of the HMA jobs but which predominately create high-wage jobs that support the local economy. Fidelity Investments, a financial institution, expanded its software development workforce in the RTP by 600 during 2016. These job gains helped offset declining employment at GlaxoSmithKline, where employment at RTP declined from a high of approximately 5,000 in 2010 to only 2,600 currently.

The HMA entered the 21st century with sluggish economic growth following the collapse of the dot-com bubble; nonfarm payrolls decreased by an average of 0.2 percent from 2001 through 2003. However, the local economy began to grow rapidly as the national economy improved, with nonfarm payroll growth averaging 4.3 percent from 2004 through 2007. Economic growth during the period supported high levels of in-migration, which caused further economic growth through increased residential construction and tax revenues. During the 2004-through-2007 period, the

Table 2. Major Employers in the Raleigh HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of North Carolina	Government	36,800
International Business Machines Corporation	Information	10,000
North Carolina State University	Government	8,725
WakeMed Health & Hospitals	Education & health services	8,425
Cisco Systems, Inc.	Information	5,500
Rex Healthcare	Education & health services	5,300
SAS Institute Inc.	Information	5,225
Duke Energy	Transportation & utilities	3,700
Fidelity Investments	Financial activities	2,900
GlaxoSmithKline plc.	Education & health services	2,600

Notes: Excludes local school districts and governments. Includes firms located in the Research Triangle Park.

Sources: Raleigh Chamber of Commerce; analyst

mining, logging, and construction sector grew by 2,400 jobs, or 6.8 percent, annually while the local government subsector added 2,200 jobs, or 6.4 percent, annually. In 2008, nonfarm payroll growth slowed to 1.1 percent as the nation entered recession and residential permitting sharply declined.

Economic conditions in the HMA have improved every year since 2011, after the number of nonfarm payrolls declined by an average of 11,100 jobs, or 2.1 percent, a year during 2009 and 2010. Approximately 43 percent of the job losses in the HMA during 2009 and 2010 occurred in the mining, logging, and construction sector, even though

the sector accounted for only 7 percent of all payrolls in 2008. Declining residential and commercial construction caused the concentration of job losses in the sector. Job growth returned in 2011, with an increase of 9,500 jobs, or 1.9 percent, then accelerated to an average increase of 18,000 jobs, or 3.4 percent, from 2012 through 2015. Payroll growth during that period was broad-based, with all economic sectors except the government sector growing at least 1 percent annually.

During the 12 months ending November 2016, the number of nonfarm payrolls increased by 18,200 jobs, or 3.1 percent, from the previous 12 months, to 598,000. The professional and business services sector, the wholesale and retail trade sector, and the leisure and hospitality sector led growth (Table 3). The unemployment rate during the 12 months ending November 2016 was 4.3 percent, down from 4.8 percent during the previous 12-month period. The current unemployment rate is less than the average rate of 8.5 percent annually from 2009 through 2011 but remains higher than the previous low, which averaged 3.8 percent from 2005 through 2007. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2015.

The professional and business services sector is the largest economic sector in the HMA, comprising 19.3 percent of all nonfarm jobs (Figure 2), 5 percentage points more than the national average. After declining by an average of 3,600 jobs, or 4.1 percent, during 2008 and 2009, the sector increased by an average of 4,500 jobs, or 4.8 percent, annually from 2010 through 2015. Approximately 45 percent of the job growth occurred in the professional,

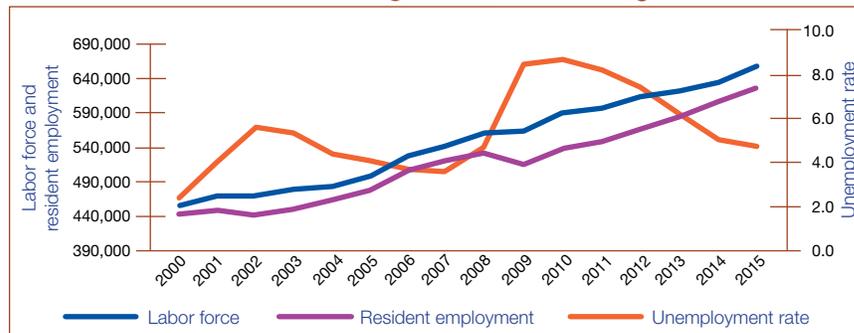
Table 3. 12-Month Average Nonfarm Payroll Jobs in the Raleigh HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	November 2015	November 2016		
Total nonfarm payroll jobs	579,800	598,000	18,200	3.1
Goods-producing sectors	67,000	67,000	0	0.0
Mining, logging, & construction	33,100	33,400	300	0.9
Manufacturing	33,900	33,600	-300	-0.9
Service-providing sectors	512,800	531,000	18,200	3.5
Wholesale & retail trade	91,000	94,500	3,500	3.8
Transportation & utilities	12,200	12,400	200	1.6
Information	19,600	20,100	500	2.6
Financial activities	29,400	29,600	200	0.7
Professional & business services	109,000	115,400	6,400	5.9
Education & health services	69,100	71,300	2,200	3.2
Leisure & hospitality	64,400	67,800	3,400	5.3
Other services	23,100	24,000	900	3.9
Government	95,100	95,800	700	0.7

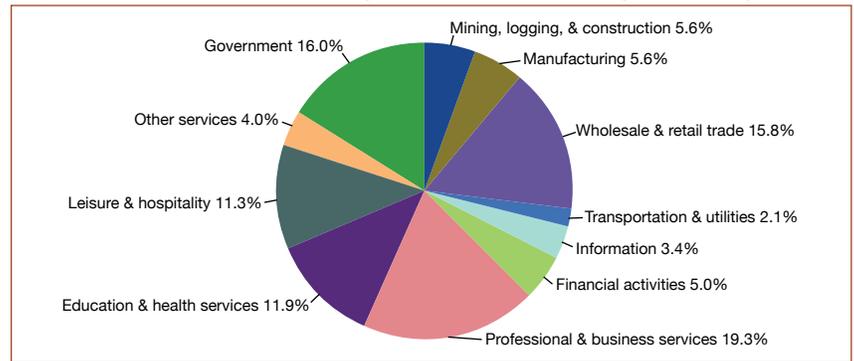
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through November 2015 and November 2016.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Raleigh HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Raleigh HMA, by Sector

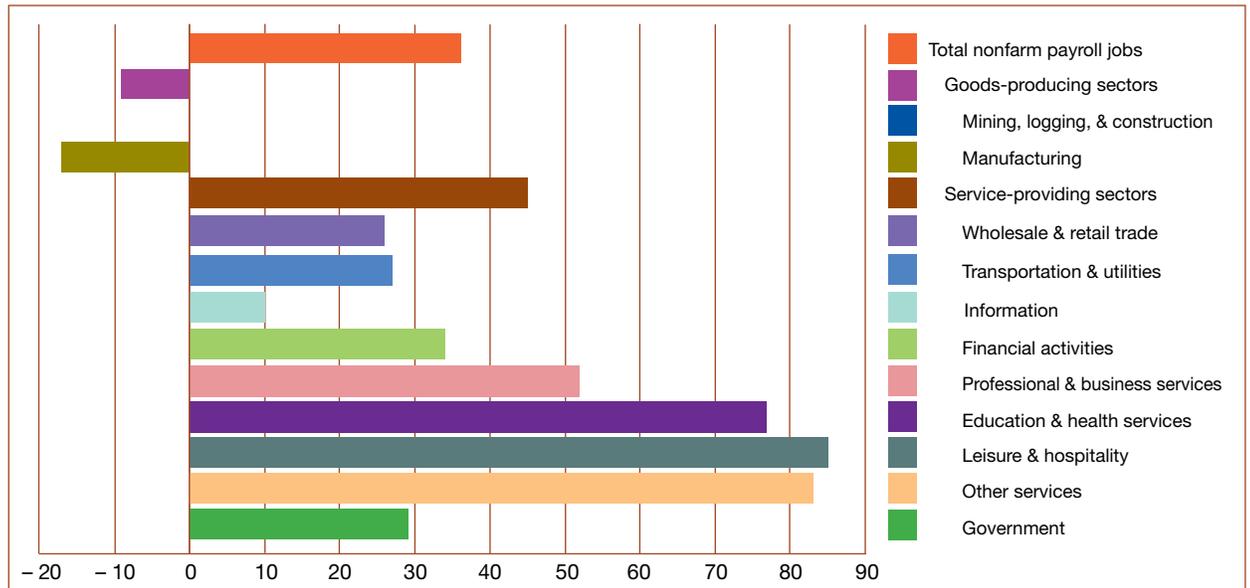
Note: Based on 12-month averages through November 2016.

Source: U.S. Bureau of Labor Statistics

scientific, and technical services industries, which includes contract research organizations (CROs), companies that conduct and analyze clinical trials for pharmaceutical manufacturers. The HMA and the adjacent Durham-Chapel Hill, NC MSA have the largest concentration of CROs in the nation. INC Research and PRA Health Sciences, 2 of the 10 largest CROs in the world, are headquartered in the HMA and have approximately 1,000 and 500 employees, respectively. Additionally, Pharmaceutical Product Development, LLC has approximately 1,600 employees in the HMA. INC Research has added approximately 100 employees in the HMA since early 2015 and plans to add 550 employees during the 2017-to-2021 period. Premiere Research, another CRO, plans to expand its RTP workforce by 260 from 2016 to 2020. The majority of the remainder of the growth in the professional and business services sector from 2010 through 2015 came from the employment services industries, which include temporary employment agencies. These industries grew by 1,700 jobs, or 11.7 percent, annually from 2010 through 2015. During the 12 months ending November 2016 the professional and business

services sector led job growth, adding 6,400 jobs, or 5.9 percent, to 115,400 jobs. The professional, scientific, and technical services industries added 2,500 jobs, or 5.1 percent, while the employment services industries added 1,200 jobs, or 5.5 percent. Proto Labs, a rapid prototyping firm, and WalkMe Inc., a web service provider, both added 100 jobs in Raleigh during 2016.

The leisure and hospitality and the wholesale and retail trade sectors have contributed the second and third most job growth, respectively, both in percentage and absolute terms, since 2010. The leisure and hospitality sector has grown more than any other sector since 2000 in percentage terms (Figure 3). From 2011 through 2015, the wholesale and retail trade sector added an average of 2,800 jobs, or 3.4 percent, annually, while the leisure and hospitality sector added 2,900 jobs, or 5.1 percent, annually. The sectors are similar because they consist mostly of small firms whose fortunes are highly correlated with the larger local economy. As economic conditions improved and consumer confidence increased, consumers increased their spending at local restaurants, shops, and hotels. Prepared food and beverage tax revenues in Wake County, whose

Figure 3. Sector Growth in the Raleigh HMA, Percentage Change, 2000 to Current

Notes: Current is based on 12-month averages through November 2016. During this period, payrolls in the mining, logging, and construction sector showed no net change.

Source: U.S. Bureau of Labor Statistics

residents account for 80 percent of the population of the HMA, increased by 44 percent from \$17.6 million in 2010 to \$25.3 million in 2015 as consumers increased their restaurant spending, while the hotel occupancy rate increased from 59 percent in 2010 to 70 percent in 2015 (Greater Raleigh Convention and Visitors Bureau). During the same period, retail spending also increased; taxable sales in Wake County increased 42 percent, from \$858 million in fiscal year (FY) 2010 to \$1.22 billion in FY 2015 (North Carolina Department of Revenue). Increased spending caused new firms to enter the market and existing firms to expand; from 2011 through 2015, 1,550 new hotel rooms were built in Wake County. Growth continued during the 12 months ending November 2016, with the wholesale and retail trade sector adding 3,500 jobs, or 3.8 percent, to reach 94,500, and the leisure and hospitality sector adding 3,400 jobs, or 5.3 percent, to reach 67,800. Most of that job growth came through the

creation and expansion of small firms. Through the end of September 2016, downtown Raleigh experienced a net increase of 15 retail stores and restaurants (Downtown Raleigh Alliance).

During the 3-year forecast period, nonfarm payroll growth is expected to remain strong at an average of 17,100 jobs, or 2.9 percent, annually. Most job gains will likely occur in the service-providing sectors, with growth in the professional and business services sector supporting gains in the wholesale and retail trade and the leisure and hospitality sectors. Additional sources of growth include Novo Nordisk, a pharmaceutical manufacturer, which is building an insulin manufacturing facility in Clayton, a city in Johnston County. The factory is expected to employ 700 by 2020. DB Global Technology Inc., a technology subsidiary of Deutsche Bank AG, is expanding its workforce in the HMA and is expected to add 250 employees during the remainder of 2016 and 2017.

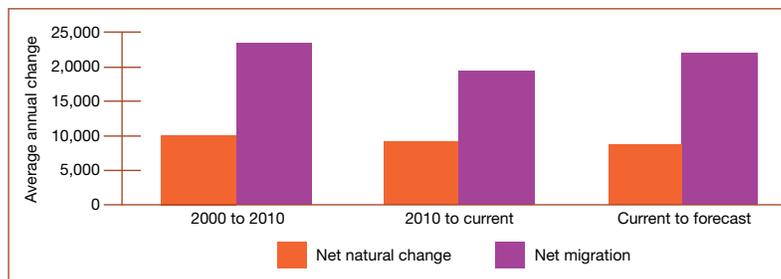
Population and Households

The Raleigh HMA was the fourth fastest-growing MSA in the nation during the 2000-to-2010 period, adding 33,350 people, or 3.6 percent, annually, primarily because of strong job growth during the 2004-to-2007 period. Population growth peaked from 2005 to 2008, when it averaged 44,150 people, or 4.5 percent, annually (Census Bureau population estimates as of July 1), because of a tight labor market and a strong housing market. Population growth slowed to 32,900, or 3.1 percent, from 2008 to 2009; it averaged 26,150 people, or 2.3 percent, annually, from 2009 to 2013 because of elevated unemployment rates and the national housing crisis, which made it difficult for potential residents to sell their existing homes

and relocate to the HMA. Decreased net in-migration was the cause of most of the slowdown in population growth in the HMA since 2008. Net in-migration averaged 33,350 people, or 76 percent of population growth, during the 2005-to-2008 period but only 16,850, or 64 percent of population growth, from 2009 to 2013. As the labor and housing markets have recovered, population growth has increased to an estimated average of 30,500 people, or 2.4 percent, annually from 2013 to the current date, while net in-migration accounted for 72 percent of population growth. Net natural change (resident births minus resident deaths) declined by a relatively small amount, averaging 10,800 and 8,675 people from 2005 to 2008 and from 2013 to 2016, respectively. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date. As of December 1, 2016, the estimated population of the HMA is 1,319,000, an average annual increase of approximately 28,300, or 2.3 percent, from April 1, 2010 (Figure 5). The population of the HMA is expected to increase at an average annual rate of 30,650, or 2.3 percent, during the 3-year forecast period, as continued economic growth attracts migrants to the HMA. During the forecast period, post-2013 migration trends are expected to continue, accounting for 72 percent of all population growth.

From 2010 to 2015, the most recent year of data availability, domestic in-migration has constituted approximately 77 percent of net in-migration to the HMA. The majority of interstate migration into the HMA originated from the Northeast, the Midwest, and Florida (County-to-County Migration Flows, 2010–2014 American Community Survey 5-year estimates). Migrants

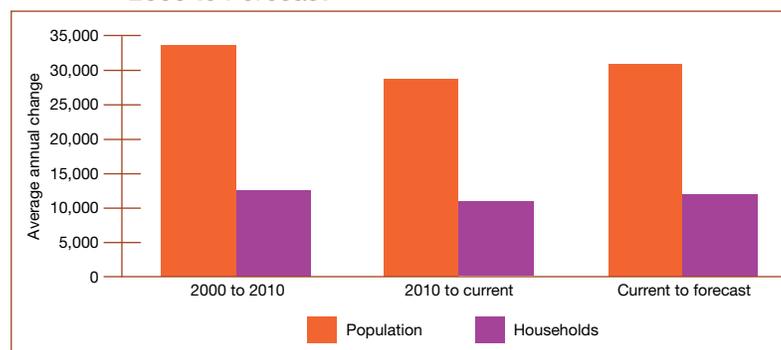
Figure 4. Components of Population Change in the Raleigh HMA, 2000 to Forecast



Notes: The current date is December 1, 2016. The forecast date is December 1, 2019.

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

Figure 5. Population and Household Growth in the Raleigh HMA, 2000 to Forecast



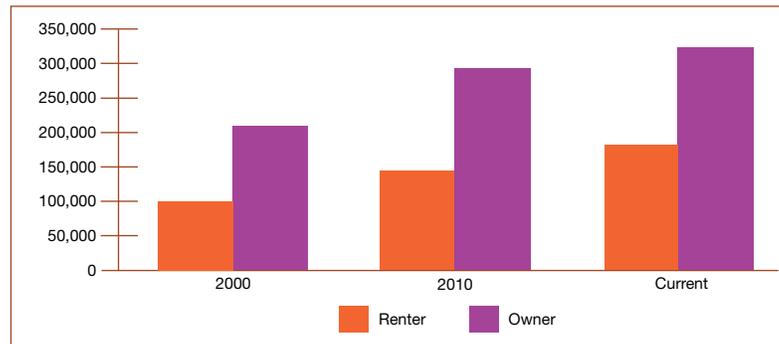
Notes: The current date is December 1, 2016. The forecast date is December 1, 2019.

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

are drawn to the HMA because of its strong job market, temperate climate, and relatively affordable housing.

Wake County, which includes the central city of Raleigh, has accounted for 86 percent of population growth in the HMA since 2010, with Johnston and Franklin counties accounting for 12 and 2 percent, respectively. By comparison, approximately 80 percent of the HMA population resides in Wake County, with about 35 percent in the city of Raleigh alone. Approximately 83 percent of domestic in-migration is to Wake County, and 96 percent of international in-migration to the HMA is to Wake County.

Figure 6. Number of Households by Tenure in the Raleigh HMA, 2000 to Current



Note: The current date is December 1, 2016.

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

The HMA is home to an estimated 500,900 households, an increase of 10,550 households, or 2.3 percent, annually, since 2010. By comparison, household growth averaged 12,400, or 3.5 percent, annually, from 2000 to 2010. Household growth has declined since 2010 primarily because of slower population growth. The homeownership rate currently is estimated at 63.9 percent, down from 66.8 percent in 2010 (Table DP-1 at the end of this report) because of a weak labor market and a tight credit market during the first years of the decade. Renter households accounted for approximately 35 percent of household growth from 2000 to 2010 but have accounted for approximately 55 percent of household growth since 2010 (Figure 6). The number of households in the HMA is expected to grow by 11,750, or 2.3 percent, annually during the next 3 years, to 536,200 households, with renter households expected to account for approximately 45 percent of new households as a strong economy, and increased confidence in the housing market attract prospective households to homeownership.

Housing Market Trends

Sales Market

The sales housing market in the Raleigh HMA is currently balanced, with decreased levels of home construction and increased economic and population growth contributing to absorption of excess inventory since 2010. As of December 1, 2016, the overall estimated sales vacancy rate is

estimated at 1.5 percent, down from 2.5 percent in 2010. As of November 2016, the HMA had 3.7 months of unsold, available inventory, down from 4.6 months in November 2015; in the same period, however, the number of active residential listings declined from 6,975 to 6,625 homes

Housing Market Trends

Sales Market *Continued*

(Redfin). By comparison, the HMA had 11.0 months of supply and 9,425 listings available in November 2010.

Since 2012, the demand for homes has increased faster than the available supply, lowering the sales vacancy rate and putting upward pressure on home prices. Existing home sales (including single-family homes, townhomes, and condominiums) peaked from 2004 through 2007, averaging 26,900 homes sold annually (CoreLogic, Inc., with adjustments by the analyst) because of strong economic conditions and population growth. Sales declined by an average of 3,925 homes sold, or 19 percent, annually from 2008 through 2011 to a low of 11,250 homes sold during 2011 because of poor economic conditions and stricter lending standards. As the number of homes sold decreased, both the number and percentage of distressed sales (real estate owned [REO] and short sales) increased substantially. Less than 5 percent of all existing homes sold in 2007 were distressed, but by 2011 the percentage had increased to 20 percent. REO and short sales averaged \$148,600 and \$195,700, respectively, in 2011, substantially less than \$217,700 for conventional resales. Poor economic conditions and increased REO sales caused existing home sales prices to decrease from an average of \$223,900 during the 2007-to-2008 period to \$207,400 from 2009 through 2011.

The sales market began to recover in 2012 following the return of substantial job growth in 2011. Sales of existing homes increased by an average of 4,175, or 32 percent, during 2012 and 2013. Existing home sale growth slowed in 2014, averaging increases of 1,125, or 6 percent, during 2014 and 2015. The slowdown in growth is

partially attributable to decreases in the number of REO and short sales, which declined by averages of 23 and 26 percent annually during 2014 and 2015, while conventional resales increased by an average of 1,725, or 10 percent, annually. Increased competition among buyers for existing homes created upward pressure for sales prices. From 2012 through 2015, the average sales price of an existing home increased 3 percent annually. During the 12 months ending November 2016, approximately 22,300 existing homes sold, an increase of 2 percent from the preceding 12-month period. The average sales price of existing homes increased to \$254,300 during the same period, up 9 percent from the preceding 12-month period and significantly higher than the prerecession peak of \$224,800 during the 12 months ending November 2008.

Foreclosures no longer significantly affect existing home prices within the HMA. As of November 2016, 1.6 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 2.0 percent in November 2015 and below the national rate of 2.6 percent (CoreLogic, Inc.). The current percentage of seriously delinquent loans and REO properties represents a significant improvement from a high of 4.6 percent in January 2012, when the national rate was 7.4 percent.

New home sales in the HMA have stabilized and begun to recover since the national recession but are well below the peak levels of the mid-2000s. The average sales price of a new home has increased each year since 2012 and, in 2014, surpassed the prerecession high of \$295,500 during 2008. The number of new homes sold averaged

12,400 during 2005 and 2006 but declined an average of 20 percent annually from 2007 through 2011 to a low of 4,100 in 2011 because of poor economic conditions, decreased access to credit, and increasing inventories of lower-priced existing homes. From 2012 through 2014, new home sales increased at an average annual rate of 18 percent, as excess inventory of existing homes was absorbed and prices for existing homes rose. New home sales remained stable in 2015 but increased 5 percent during the 12 months ending November 2016, to 6,900.

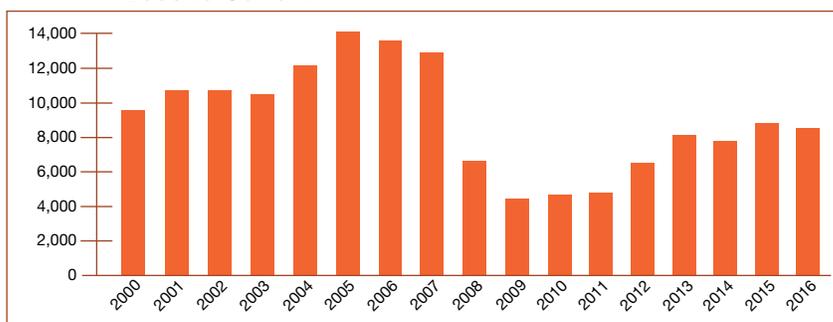
New home sales prices averaged \$292,300 during 2007 and 2008 but declined to an average low of \$264,900 from 2009 through 2011, as home builders reduced prices in response to falling demand. From 2012 through 2015, new home prices increased by an average of \$13,200, or 5 percent, annually and, in 2014, surpassed the prerecession high of \$295,500 reached in 2008. On average, new homes have increased in size, accounting for some of the increase in price; the average size of new homes sold from 2013 through 2015 was 2,650 square feet, 11 percent larger than the average of 2,400 square feet in 2009 (Metrostudy, A Hanley Wood Company). During the 12 months ending November 2016,

new home prices continued to rise, increasing by \$7,225, or 2 percent, to \$326,700.

From 2006 through 2008, an average of 520 new condominium units sold annually, accounting for 5 percent of all new home sales (Metrostudy, A Hanley Wood Company). New condominium sales decreased during 5 of the next 6 years, however, with an average of only 45 new condominiums sold each year in 2014 and 2015, representing less than 1 percent of all new homes sold during the period. Condominium construction in the HMA declined significantly in the late 2000s and remains subdued.

Single-family home construction, as measured by the number of homes permitted, has generally trended upward in the HMA since the end of 2011 but remains below the historically high levels reached during the housing boom in the mid-2000s. Single-family homebuilding peaked from 2005 through 2007 at an average of 13,400 homes permitted annually, then declined by an average of 4,200 homes, or 41 percent, annually, during 2008 and 2009 as demand for new homes fell (Figure 7). After reaching a low of 4,600 homes permitted on average from 2009 through 2011, single-family home construction increased by an average of 1,650, or 30 percent, annually during 2012 and 2013 because of strengthening economic conditions and increasing prices for existing homes. Construction levels remained relatively stable, averaging 8,175 homes built annually, during 2014 and 2015 but increased by 830 homes permitted, or 10 percent, during the 12 months ending November 2016, to 9,475, compared with permitting during the previous 12-month period

Figure 7. Single-Family Homes Permitted in the Raleigh HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through November 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

(preliminary data). Most new home construction is occurring in subdivisions outside the partially complete Interstate 540 loop around the city of Raleigh. The third phase of Highland Creek Preserve, which encompasses 253 home sites in the city of Raleigh, is one of the most active subdivisions in the HMA. New three-, four-, and five-bedroom homes currently

are available, with prices starting at \$250,000. During 2016, 120 new homes sold at Highland Creek Preserve; the subdivision is expected to be built out in 2017 (Metrostudy, A Hanley Wood Company).

During the 3-year forecast period, demand is expected for an estimated 29,100 new homes in the HMA (Table 1), with increasing demand during the second and third years of the forecast period. The 1,900 homes currently under construction and a portion of the 16,000 other vacant units that may reenter the sales market will satisfy some of the demand. Demand is expected to be greatest in the \$200,000-to-\$349,999 price range. Table 4 shows the estimated demand for market-rate sales housing, by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Raleigh HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	4,375	15.0
200,000	249,999	4,375	15.0
250,000	299,999	5,825	20.0
300,000	349,999	4,375	15.0
350,000	449,999	5,250	18.0
450,000	599,999	2,900	10.0
600,000	and higher	2,025	7.0

Notes: The 1,900 homes currently under construction and a portion of the estimated 16,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is December 1, 2016, to December 1, 2019.

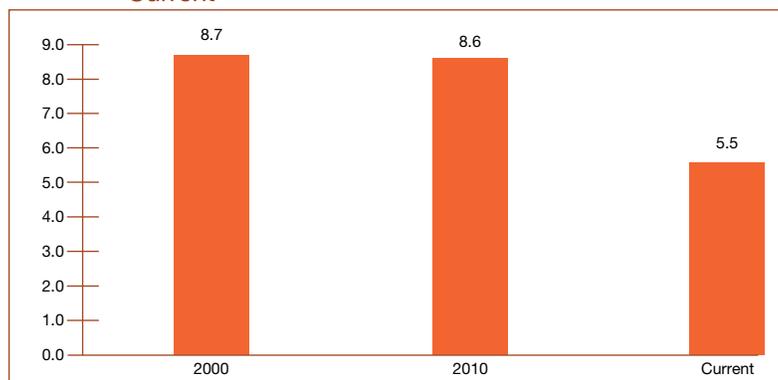
Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Raleigh HMA are currently balanced, with strong rental household growth having contributed to absorption of vacant inventory since 2010. The overall rental vacancy rate is estimated at 5.5 percent, down from

8.6 percent in 2010 (Figure 8). The apartment market, which makes up approximately 60 percent of renter-occupied units in the HMA, is also balanced, with an average vacancy rate of 4.2 percent during the third quarter of 2016, down from 5.0 percent a year earlier (MPF Research). During the third quarter of 2016, the average rent in the HMA increased 4 percent from the third quarter of 2015, to \$1,069, with average rents of \$942, \$1,090, and \$1,461 for one-, two-, and three-bedroom apartments, respectively. Rent growth has been steady since 2011 but increased during 2014 and 2015, averaging 5 percent for both recently completed and existing complexes. During 2014 and 2015, rents grew at class A, B, and C properties by 6, 5, and 4 percent, respectively.

Figure 8. Rental Vacancy Rates in the Raleigh HMA, 2000 to Current



Note: The current date is December 1, 2016.

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

Apartment vacancy rates during the third quarter of 2016 were constant across the HMA relative to a year ago, ranging from a low of 2.7 percent in the MPF Research-defined Far North Raleigh market area to a high of 5.6 percent in the Northeast Raleigh market area. Rents are highest in the revitalized Central Raleigh market area, at \$1,198, and the established suburban North Cary/Morrisville market area, at \$1,124. The Central Raleigh area includes NCSU, which has an off-campus population of approximately 23,000 students. Private student housing in the Central Raleigh area accounts for approximately 10 percent of all of the units in the market area and houses an estimated 3,500 students. The eastern side of the HMA has lower average rents; the Northeast Raleigh and Southeast Raleigh areas have average rents of \$976 and \$945, respectively.

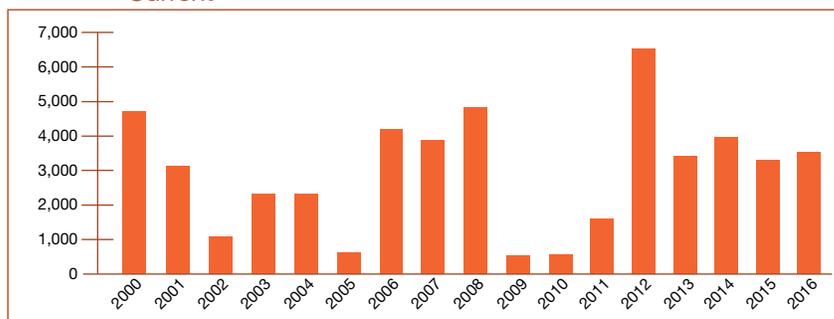
Builders responded to low vacancy rates and strong rent growth with high levels of multifamily construction (Figure 9). Following the recession, multifamily construction, as measured by the number of units permitted, declined to very low levels from 2009 through 2011, averaging 900 units permitted annually because of a soft rental market, sharp decreases in condominium construction, and

strict multifamily lending standards. However, multifamily construction quickly rebounded, with 6,500 units permitted in 2012, the highest level of multifamily construction since 2000. The volume of apartment construction declined in subsequent years but remained high, averaging 3,550 units annually from 2013 through 2015. During the 12 months ending November 2016, approximately 4,000 units were permitted, an increase of nearly 7 percent from the preceding 12-month period.

Recent apartment construction has occurred throughout the HMA but is most concentrated in the Central Raleigh market area. 616 at the Village, a 207-unit, apartment complex in the Cameron Village mixed-use development in the Central Raleigh area, is expected to open in January 2017. When the development is complete, it will offer one- and two-bedroom units starting at \$1,185 and \$1,900, respectively. Post Parkside at Wade, an apartment community west of downtown Raleigh, is building a 341-unit addition, with one-, two-, and three-bedroom units starting at \$945, \$1,220, and \$1,735, respectively. Income-restricted and subsidized rental housing is also being constructed in the HMA. Sycamore Run Apartments, a 42-unit income-restricted apartment property, is currently under construction and expected to open in 2017. Apartments will be offered at below-market rates to tenants making less than 60 percent of area median income.

During the 3-year forecast period, demand is expected for 9,650 new market-rate rental units in the HMA, with decreasing demand during the second and third years of the forecast period, as an increasing number of households are expected to become

Figure 9. Multifamily Units Permitted in the Raleigh HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through November 2016.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Raleigh HMA During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
950 to 1,149	1,950	1,150 to 1,349	1,525	1,300 to 1,499	430
1,150 to 1,349	1,300	1,350 to 1,549	1,525	1,500 to 1,699	240
1,350 to 1,549	650	1,550 to 1,749	870	1,700 to 1,899	190
1,550 to 1,749	220	1,750 to 1,949	220	1,900 to 2,099	40
1,750 or more	220	1,950 or more	220	2,100 to 2,299	30
				2,300 or more	30
Total	4,350	Total	4,350	Total	970

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,000 units currently under construction will likely satisfy some of the estimated demand. The forecast period is December 1, 2016, to December 1, 2019.

Source: Estimates by analyst

homeowners (Table 1). The 4,000 units currently under construction will meet a portion of that demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA, by rent level and number of bedrooms.

Data Profile

Table DP-1. Raleigh HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	444,815	539,102	644,000	1.9	3.1
Unemployment rate	2.5%	8.6%	4.4%		
Nonfarm payroll jobs	439,300	500,100	596,900	1.3	3.0
Total population	797,071	1,130,490	1,319,000	3.6	2.3
Total households	306,478	430,577	500,900	3.5	2.3
Owner households	207,536	287,501	320,100	3.3	1.6
Percent owner	67.7%	66.8%	63.9%		
Renter households	98,942	143,076	180,800	3.8	3.6
Percent renter	32.3%	33.2%	36.1%		
Total housing units	329,513	466,095	532,300	3.5	2.0
Owner vacancy rate	2.5%	2.5%	1.5%		
Rental vacancy rate	8.7%	8.6%	5.5%		
Median Family Income	NA	\$76,900	\$78,800	NA	0.4

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through November 2016. Median Family Incomes are for 1999, 2009, and 2015. The current date is December 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 12/1/2016—Analyst’s estimates
 Forecast period: 12/1/2016–12/1/2019—
 Analyst’s estimates

The metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: 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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_RaleighNC_17.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.