

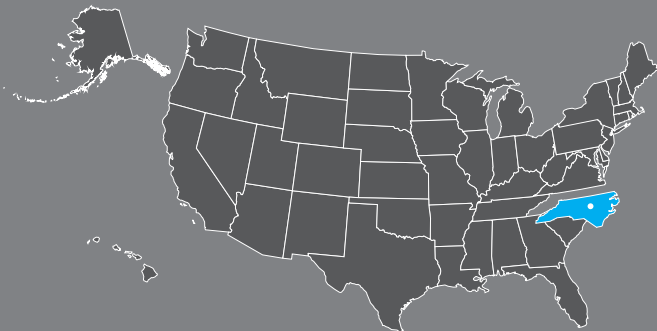
HUD PD&R Housing Market Profiles

Raleigh, North Carolina



Quick Facts About Raleigh

- **Current sales market conditions: balanced.**
- **Current rental market conditions: balanced.**
- **The Raleigh metropolitan area and the nearby cities of Durham and Chapel Hill are often referred to as the “Research Triangle” because of the presence of a large research university in each city.**



By Adam Tubridy | As of December 1, 2016

Overview

The Raleigh metropolitan area includes Franklin, Johnston, and Wake counties in central North Carolina. The city of Raleigh, in Wake County, has a population of 451,100 and is the state capital and economic base of the metropolitan area.

- As of December 1, 2016, the estimated population of the Raleigh metropolitan area is 1.32 million, an average annual increase of approximately 30,500, or 2.4 percent, from July 2013 (estimates by analyst and U.S. Census Bureau population estimates as of July). The metropolitan area was the fastest-growing metropolitan area in the nation from 2000 to 2010, when the population increased an average of 3.6 percent annually (Census Bureau decennial counts).
- Population growth peaked at an average of 44,150 people, or 4.5 percent, annually from July 2005 to July 2008 but slowed to an average of 26,150, or 2.3 percent, annually from July 2009 to July 2013 as a result of the national recession.
- Net in-migration has averaged 21,850 people since 2013 compared with an average of only 16,850 people from 2009 to 2013. Strong job growth and an improving housing market have attracted migrants to the metropolitan area; as a result, net in-migration has comprised nearly 72 percent of population growth since 2013 compared with 64 percent from 2009 to 2013.



Nonfarm payroll gains in the service-providing sectors in the Raleigh area more than offset losses in the goods-producing sectors.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	591.3	604.5	13.2	2.2
Goods-producing sectors	67.6	66.3	- 1.3	- 1.9
Mining, logging, and construction	33.7	33.1	- 0.6	- 1.8
Manufacturing	33.9	33.2	- 0.7	- 2.1
Service-providing sectors	523.6	538.2	14.6	2.8
Wholesale and retail trade	92.2	95.7	3.5	3.8
Transportation and utilities	12.3	12.6	0.3	2.4
Information	19.9	20.1	0.2	1.0
Financial activities	29.9	30.3	0.4	1.3
Professional and business services	112.1	118.0	5.9	5.3
Education and health services	70.6	71.4	0.8	1.1
Leisure and hospitality	65.7	67.8	2.1	3.2
Other services	23.5	24.1	0.6	2.6
Government	97.3	98.2	0.9	0.9
	(percent)	(percent)		
Unemployment rate	4.6	4.0		

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

Economic Conditions

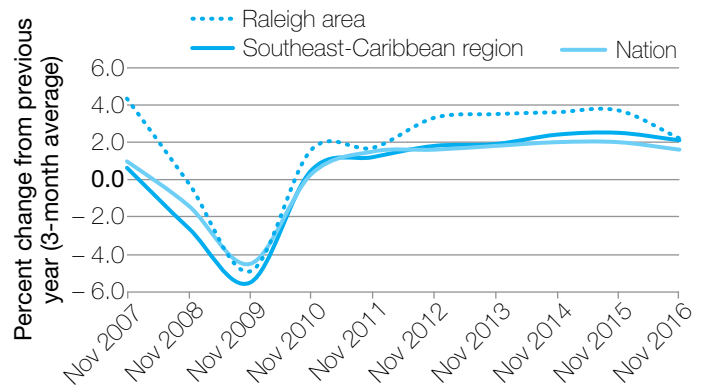
Economic conditions in the Raleigh metropolitan area improved after the number of nonfarm payrolls declined by an average of 11,100 jobs, or 2.1 percent, a year during 2009 and 2010. Job growth returned in 2011, with an increase of 9,500 jobs, or 1.9 percent, then accelerated to an average increase of 18,000 jobs, or 3.4 percent, from 2012 through 2015, twice the national growth rate of 1.8 percent.

During the 3 months ending November 2016—

- Nonfarm payrolls increased by 13,200 jobs, or 2.2 percent, to an average of 604,500 jobs, from the 3 months ending November 2015.
- The professional and business services sector led job growth, increasing by 5,900 jobs, or 5.3 percent, to 118,000 jobs. The Raleigh metropolitan area has the greatest concentration in the world of contract research organizations (CROs), firms that conduct and analyze clinical trials for pharmaceutical manufacturers, which are included in the professional and business services sector. INC Research, a CRO, has added approximately 100 employees in the metropolitan area since early 2015 and plans to add an additional 550 employees during the 2017-to-2021 period.

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Job growth in the Raleigh area has exceeded the national rate since 2010.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Raleigh area

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

Notes: Excludes local school districts and governments. Includes firms located in the Research Triangle Park.
Sources: Raleigh Chamber of Commerce; analyst estimates



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- The wholesale and retail trade and the leisure and hospitality sectors grew by 3,500, or 3.8 percent, and 2,100, or 3.2 percent, respectively. Job growth in these sectors since 2011 has been supported by increasing consumer spending; food and beverage tax and retail tax revenues have increased 44 and 42 percent since 2010, respectively (North Carolina Department of Revenue).
- The unemployment rate averaged 4.0 percent, down from 4.6 percent during the 3 months ending November 2015 and far less than the average of 8.8 percent from 2008 through 2010. The jobless rate has declined every year since 2011 and is only slightly more than the 2005-through-2007 average of 3.8 percent.

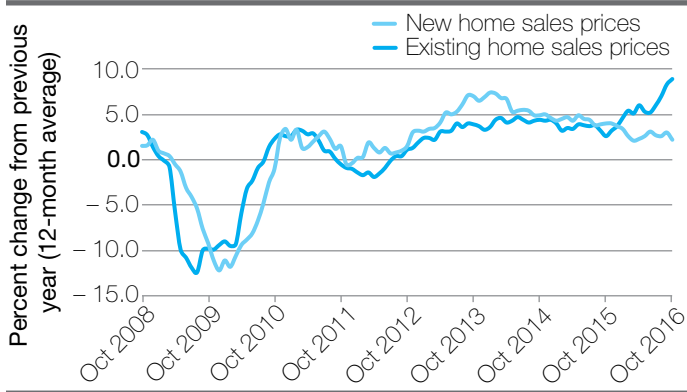
Sales Market Conditions

The sales housing market in the Raleigh metropolitan area is balanced, with an estimated sales vacancy rate of 1.5 percent, down from 2.5 percent in 2010. Decreased levels of home construction and increased economic and population growth have contributed to absorption of excess inventory since 2010. As of November 2016, the metropolitan area 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 (Redfin).

During the 12 months ending October 2016 (the best representative data available)—

- Sales of existing homes totaled 22,100, relatively unchanged from a year earlier. During the housing market recovery, existing home sales increased an average of 19 percent annually from 2012 through 2015 (CoreLogic, Inc., with adjustments by the analyst).
- The average sales price for existing homes was \$255,350, an increase of 9 percent compared with the average price during

Sales prices of existing homes in the Raleigh area have grown rapidly in 2016.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

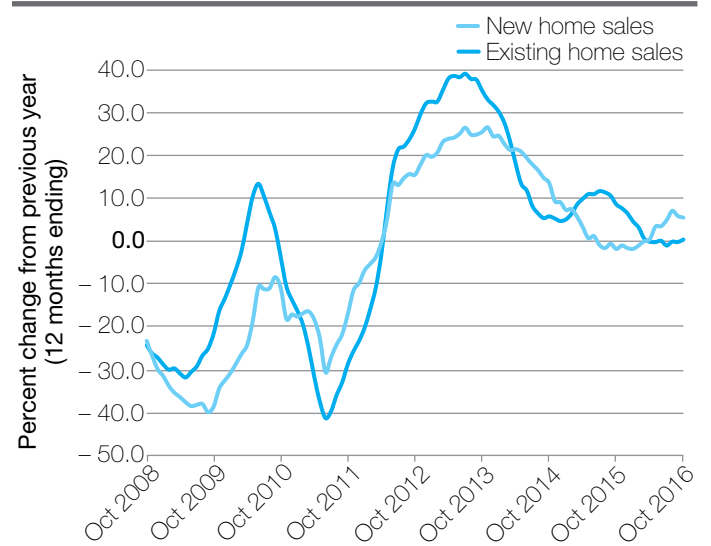
The economy of the metropolitan area benefits from the partnership of educational, corporate, and government organizations exemplified in the Research Triangle Park (RTP), one of the premier research and development corporate parks in the nation. RTP, which is in an unincorporated area west of the city 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 greatest private employer in the metropolitan area, with 10,000 employees. Cisco Systems, Inc., and GlaxoSmithKline plc., with approximately 5,500 and 2,600 employees, respectively, have locations at RTP. Fidelity Investments, a financial institution, expanded its software development workforce at the RTP by 600 during 2016.

the 12 months ending October 2015. Increased competition among buyers for existing homes caused existing home prices to increase an average of 3 percent annually from 2012 through 2015.

- New home sales, which accounted for 24 percent of all home sales in the metropolitan area, increased nearly 6 percent, to 6,925, and the average sales price of a new home increased 2 percent, to \$325,100. The declining inventory of existing homes for sale caused demand for new homes to increase.
- As of October 2016, 1.6 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, 1 percentage point less than the national average and down from 2.0 percent a year earlier (CoreLogic, Inc.).

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New home sales in the Raleigh area have increased in 2016 after remaining stable in 2015.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

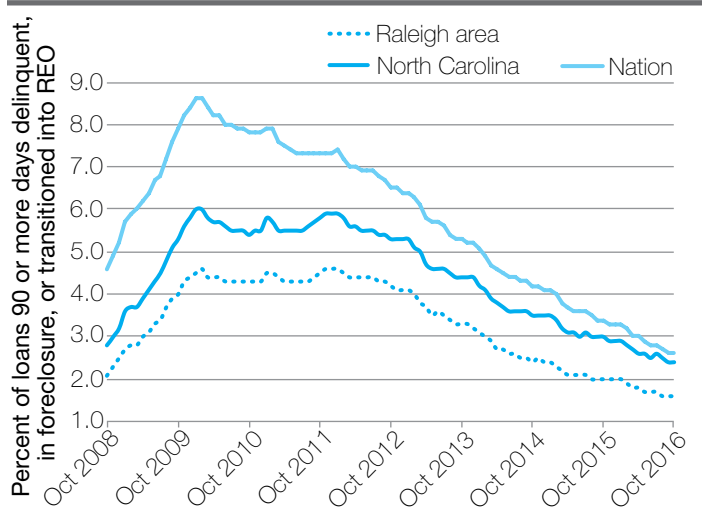


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Single-family home construction activity, as measured by the number of homes permitted, increased by an average of 1,650, or 30 percent, annually during 2012 and 2013 because of strengthening economic conditions and increasing prices for existing homes.

- After decreasing 4 percent in 2014, home construction increased 13 percent in 2015. During the 12 months ending November 2016, construction continued to increase, with approximately 9,475 single-family homes permitted, an increase of 830, or 10 percent, from the preceding 12-month period (preliminary data).
- Single-family homebuilding peaked from 2005 through 2007 at an average of 13,400 homes permitted annually but declined

The Raleigh area has consistently had a lower rate of distressed loans than North Carolina and the nation.

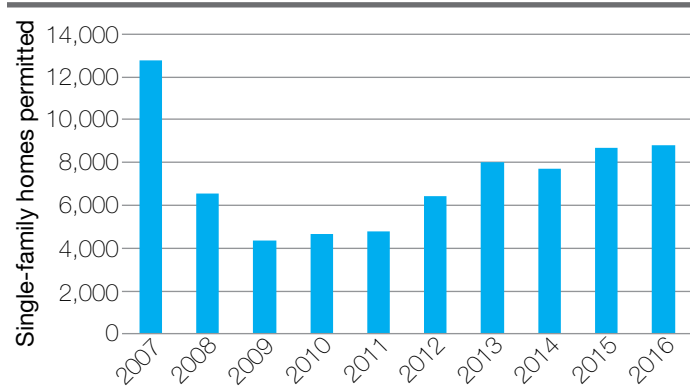


REO = real estate owned.
Source: CoreLogic, Inc.

to an average of 4,600 permitted annually from 2009 through 2011. Single-family home construction levels are approximately 27 percent below prerecession levels.

- 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 metropolitan area. New three-, four-, and five-bedroom homes currently are available, with prices starting at \$250,000. During 2016, 120 new homes sold at this community; the subdivision is expected to be built out in 2017 (Metrostudy, A Hanley Wood Company).

Single-family home construction levels in the Raleigh area increased but remained below pre-2008 levels.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

Rental housing market conditions in the Raleigh metropolitan area currently are balanced, with an estimated vacancy rate for all rental units (including single-family homes, manufactured homes, and apartment units) of 5.5 percent as of December 1, 2016, a decrease from 8.6 percent in 2010. The rental market has improved since 2010, in part because of the increasing propensity of households to rent and the decreased construction of entry-level homes.

During the third quarter of 2016—

- The overall apartment market was considered to be balanced; the apartment vacancy rate in the metropolitan area was 4.2 percent, down from 5.0 percent during the third quarter of 2015 (MPF Research).

- The average apartment rent increased nearly 5 percent from a year earlier, to \$1,069. Annual rent growth averaged more than 4 percent from 2012 through 2015.
- Apartment market conditions varied from slightly tight to balanced across the metropolitan area, with vacancy rates 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 were highest in the revitalized Central Raleigh market area, at \$1,198, and the established suburban North Cary/Morrisville market area, at \$1,124.

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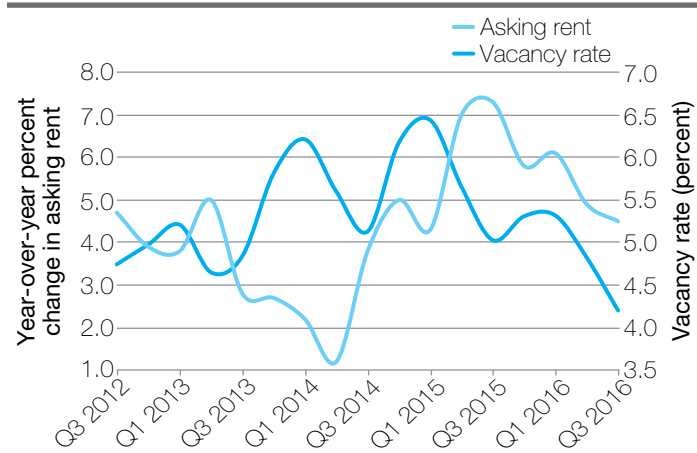


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Builders have responded to low vacancy rates and strong rent growth with high levels of multifamily construction for the past 5 years.

- During the 12 months ending November 2016, approximately 4,000 multifamily units were permitted, an increase of 240, or nearly 7 percent, from the previous 12 months (preliminary data).
- After the recession, multifamily construction declined to an average of 900 units permitted annually from 2009 through 2011 but increased to 6,500 in 2012, the highest level of multifamily construction since 1980 (the earliest data available).

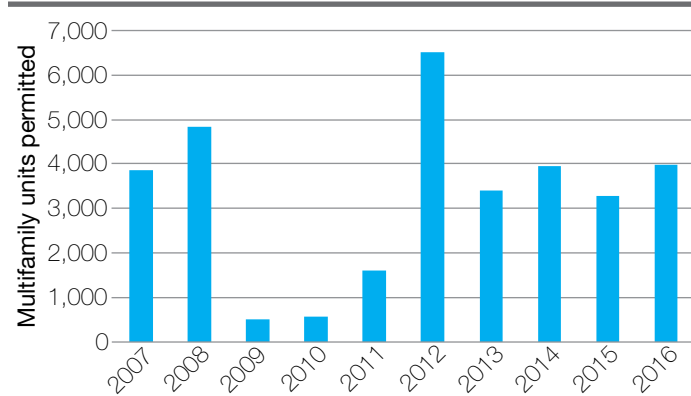
Apartment vacancy rates in the Raleigh area have been at balanced levels since 2012.



Q1 = first quarter. Q3 = third quarter.
Source: MPP Research

- An estimated 4,000 apartment units currently are under construction in the metropolitan area. Recent apartment construction has occurred throughout the metropolitan area 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 market area, is expected to open in January 2017. When complete, one- and two-bedroom units will be offered starting at \$1,185 and \$1,900, respectively.
- Sycamore Run Apartments, a 42-unit income-restricted apartment property, currently is 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.

Multifamily construction levels in the Raleigh area have been high since a record number of units were permitted in 2012.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

