

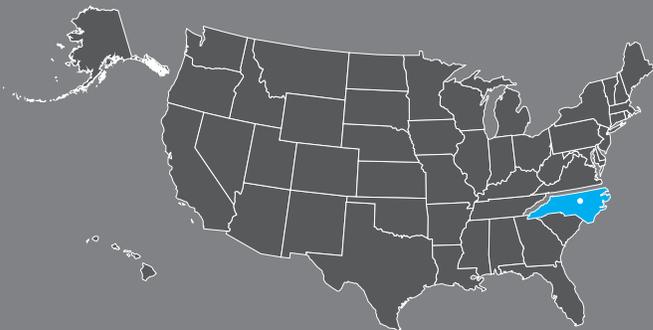
# HUD PD&R Housing Market Profiles

## Raleigh-Durham, North Carolina



### Quick Facts About Raleigh-Durham

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The Raleigh-Durham Housing Market Area is often referred to as the “Research Triangle” because it contains three large research universities and the Research Triangle Park (RTP), one of the premier research and development corporate parks in the nation.**



By Adam Tubridy | As of November 1, 2013

### Overview

The Raleigh-Durham Housing Market Area (HMA), which is a combination of the Raleigh-Cary, NC and the Durham-Chapel Hill, NC Metropolitan Statistical Areas (MSAs), includes seven counties in central North Carolina. Raleigh, the largest city in the HMA, was home to 423,200 people in 2012 and is the capital of North Carolina.

- As of November 1, 2013, the estimated population of the HMA was 1.76 million, an increase of 34,050, or 2.0 percent, annually since 2010 compared with the increase of 51,700, or 3.5 percent, annually from 2005 through 2009.
- Since 2010, net in-migration has averaged 21,850 people annually compared with an average of 37,400 people annually from 2005 through 2009.
- The Raleigh-Cary MSA was the fourth fastest growing MSA nationally from 2000 through 2010, with the population increasing 3.6 percent annually. By comparison, the Durham-Chapel Hill MSA grew 1.7 percent during the same period.



The number of nonfarm payrolls was at a record high in the Raleigh-Durham HMA.

	3 Months Ending		Year-Over-Year Change	
	October 2012 (thousands)	October 2013 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	809.8	822.9	13.1	1.6
Goods-producing sectors	97.7	95.1	-2.6	-2.7
Mining, logging, and construction	37.2	33.9	-3.3	-8.9
Manufacturing	60.6	61.2	0.6	1.0
Service-providing sectors	712.0	727.8	15.8	2.2
Wholesale and retail trade	114.3	114.6	0.3	0.3
Transportation and utilities	14.4	14.9	0.5	3.5
Information	21.3	22.3	1.0	4.7
Financial activities	39.0	39.8	0.8	2.1
Professional and business services	135.1	139.3	4.2	3.1
Education and health services	121.4	124.9	3.5	2.9
Leisure and hospitality	80.3	81.3	1.0	1.2
Other services	32.2	32.9	0.7	2.2
Government	154.0	157.9	3.9	2.5
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	7.4	6.2		

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

## Economic Conditions

Economic conditions in the Raleigh-Durham HMA improved in 2011 and 2012, surpassing prerecession job levels by October 2012. Nonfarm payrolls increased by an average of 16,600 jobs, or 2.1 percent, annually in 2011 and 2012 after decreasing by an average of 16,900, or 2.1 percent, during 2009 and 2010.

During the 3 months ending October 2013—

- Economic growth remained strong, with nonfarm payrolls averaging 822,900 jobs, an increase of 13,100 jobs, or 1.6 percent, from the same 3-month period a year earlier.
- The professional and business services, government, and education and health services sectors led job growth, with increases

of 4,200, 3,900, and 3,500 jobs, or 3.1, 2.5, and 2.9 percent, respectively; the same three sectors are the largest in the HMA.

- Job losses occurred in the mining, logging, and construction sector, which decreased by 3,300 jobs, or 8.9 percent.
- The average unemployment rate decreased to 6.2 percent from 7.4 percent a year earlier and a peak of 8.6 percent in 2010.

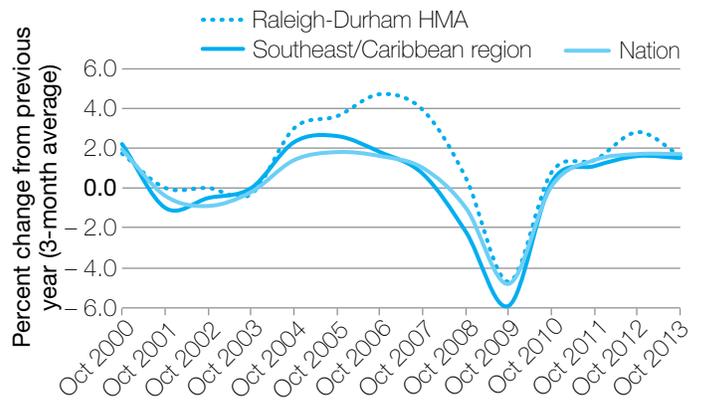
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## Largest employers in the Raleigh-Durham HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Duke University and Health System	Education and health services	26,300
University of North Carolina at Chapel Hill	Government	15,500
International Business Machines (IBM) Corporation	Information	14,000

Note: Excludes state and local governments.  
Source: Data are from each institution.

## Nonfarm payroll growth has been strong since 2010 in the Raleigh-Durham HMA.



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



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The economy of the HMA benefits from the partnership of educational, corporate, and government organizations exemplified in the RTP. The RTP, which is in an unincorporated area between the cities of Raleigh and Durham, is home to more than 170 organizations that employ a combined 50,000 people. Major tenants include the third largest employer in the HMA, International Business Machines

(IBM) Corporation, Cisco Systems, Inc., and GlaxoSmithKline plc., with approximately 14,000, 4,800, and 4,000 employees, respectively. During 2013, Syngenta AG, a biotechnology company, and Nimble Storage, a software company, added 150 and 100 jobs, respectively, at the RTP.

## Sales Market Conditions

The home sales market in the Raleigh-Durham HMA is currently balanced, with an estimated vacancy rate of 1.9 percent compared with the rate of 2.6 percent recorded in April 2010. During the 12 months ending October 2013, existing home sales totaled 22,250, an increase of 5,375 homes, or 32 percent, from the same period

a year earlier (Metrostudy, A Hanley Wood Company). By comparison, existing home sales averaged 29,350 annually during 2006 and 2007 and 16,650 annually from 2008 through 2011. During the 12 months ending October 2013, the average existing home sales price was approximately \$239,000, unchanged from a year

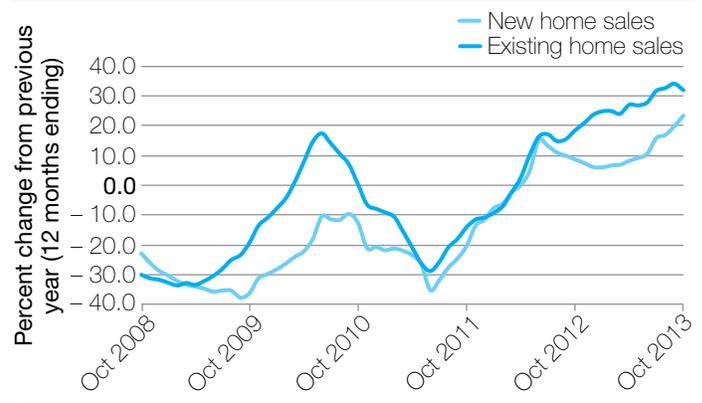
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### Average sales prices for new homes in the Raleigh-Durham HMA improved in 2013.



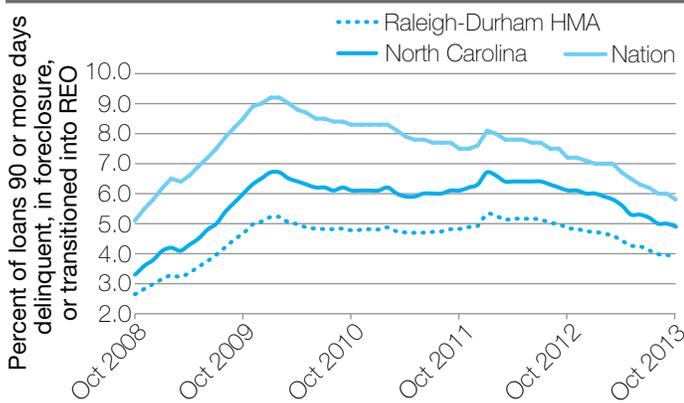
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

### After several years of declining sales, the number of new and existing homes sold in the Raleigh-Durham HMA began to increase in mid-2012.



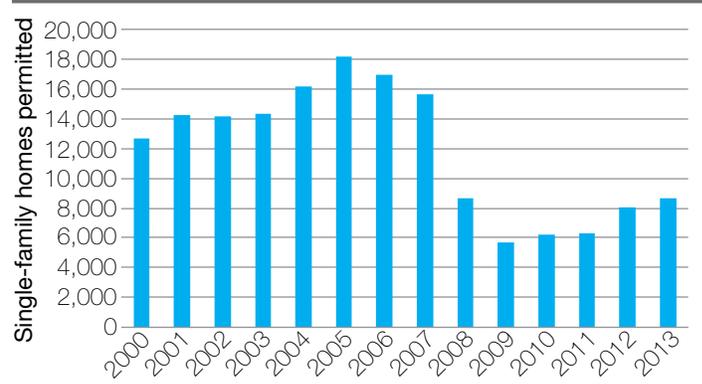
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

### The Raleigh-Durham HMA has consistently had a lower rate of distressed loans than North Carolina and the nation.



REO = Real Estate Owned. Source: LPS Applied Analytics

### Single-family permitting activity in 2013 has been approximately one-half of previous annual highs in the Raleigh-Durham HMA.



Note: Includes preliminary data from January 2013 through October 2013. Source: U.S. Census Bureau, Building Permits Survey



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earlier but representing an average annual increase of 2 percent compared with the \$219,900 average during 2009. The percentage of home loans that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) was 3.9 percent, down from 4.9 percent in October 2012 (LPS Applied Analytics).

During the 12 months ending October 2013—

- The number of new home sales increased by 1,275, or 23 percent, to 6,675, and the average new home sales price increased by \$24,000, or 9 percent, to \$294,100. Current new home sales levels remain well below the average of 13,500 new homes sold annually from 2005 through 2007.
- Investment purchases accounted for 19 percent of total home sales in the HMA, up from 17 percent during the previous 12 months but less than the 31 percent of total home sales nationally.
- Distressed sales accounted for 13 percent of all existing home sales in the HMA, down from 19 percent a year earlier.

- New home sales prices start at \$100,000, with most homes sold at prices between \$150,000 and \$350,000.

In response to improving sales market conditions in the HMA, builders increased new home construction activity, as measured by the number of single-family homes permitted.

- During the 3 months ending October 2013, approximately 2,600 homes were permitted, up 450 homes, or 20 percent, from a year earlier (preliminary data).
- Single-family home permitting averaged 6,700 homes annually from 2008 through 2011 and 16,300 annually during 2006 and 2007.
- Construction is currently under way at Kitts Creek, south of Interstate 40 (I-40) and west of I-540 in the city of Morrisville, where asking prices start at \$180,000 for townhomes and \$280,000 for single-family homes. Approximately 600 homes are complete and an additional 200 homes are planned.

## Apartment Market Conditions

The apartment market in the Raleigh-Durham HMA is tight compared with the slightly tight conditions of a year earlier. The average apartment vacancy rate has declined each year since 2008. Approximately 40 percent of all renter households in the HMA resided in single-family homes in 2012 (2012 American Community Survey) compared with the 36 percent of all renter households who resided in single-family homes as of April 2000.

During the third quarter of 2013—

- The average vacancy rate for market-rate apartments was 3.9 percent, down from 4.6 percent a year earlier (Reis, Inc.).
- The average asking rent was \$874, up 2.6 percent from a year earlier.

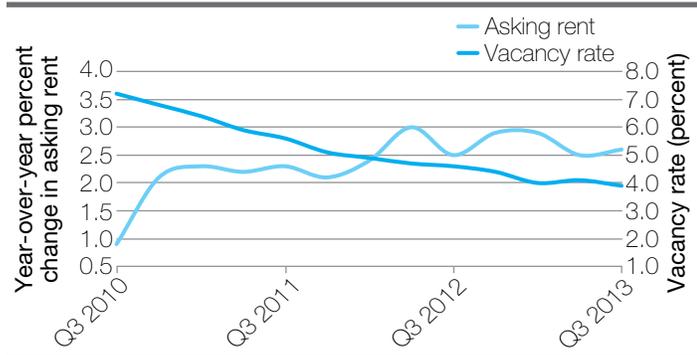
- The asking rents averaged \$770, \$910, and \$1,125 for one-, two-, and three-bedroom units, respectively.

Multifamily construction activity, as measured by the number of multifamily units permitted, totaled 1,400 units during the 3 months ending October 2013 compared with 2,475 units a year earlier. During 2012, 8,225 units were permitted compared with an average of 1,600 units annually from 2009 through 2011. Multifamily construction increased significantly during the past 24 months because of a tightening apartment market.

- Construction is currently under way at an estimated 8,900 apartment units, approximately 70 percent of which are in the Raleigh-Cary MSA.

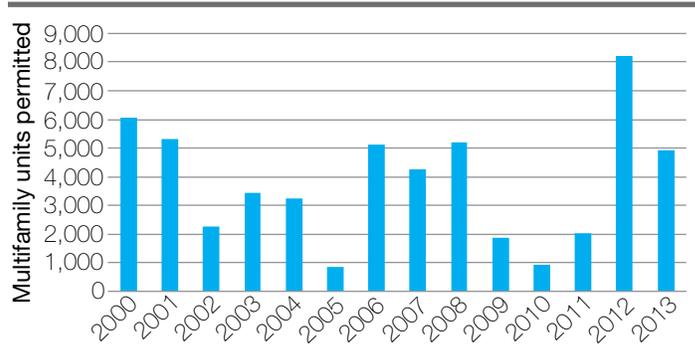
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### The Raleigh-Durham HMA apartment market has tightened considerably since 2010.



Source: Reis, Inc.

### Multifamily permitting activity peaked in 2012 after several years of low production in the Raleigh-Durham HMA.



Note: Includes preliminary data from January 2013 through July 2013.

Source: U.S. Census Bureau, Building Permits Survey



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- Rents for new, market-rate apartments are expected to average \$1,025 for a one-bedroom unit, \$1,250 for a two-bedroom unit, and \$1,525 for a three-bedroom unit. As these units are completed, the apartment vacancy rate will likely rise.
- Construction at SkyHouse Raleigh, a 23-story apartment building currently under way in downtown Raleigh, is expected to be complete by late 2014. Rents at the 320-unit development are expected to start at \$1,200 for a studio apartment.
- No large-scale condominium construction has occurred since 2009; from 2000 through 2009, condominium construction accounted for approximately 15 percent of all multifamily units built.
- The University of North Carolina at Chapel Hill, North Carolina State University, and Duke University have approximately 9,725, 6,625, and 5,400 undergraduate students living on campus, respectively, and 17,900, 1,625, and 8,625 undergraduate students living off campus; these off-campus renters represent 1.6 percent of the HMA population. No dormitory construction is under way or planned for the next 3 years.

