

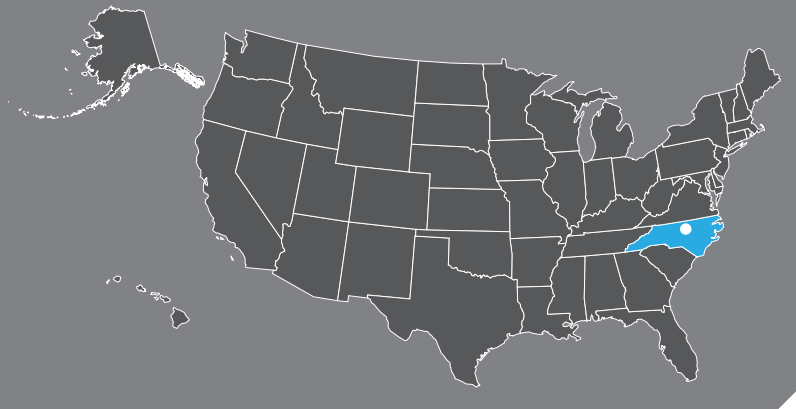
HUD PD&R Housing Market Profiles

Durham-Chapel Hill, North Carolina



Quick Facts About Durham-Chapel Hill

- Current sales market conditions: slightly tight, but easing
- Current apartment market conditions: balanced
- The Durham-Chapel Hill metropolitan area is home to the Research Triangle Park (hereafter RTP), which is supported by Duke University (Duke) in the city of Durham and The University of North Carolina at Chapel Hill (UNC-CH). Among the innovations developed in RTP are the Universal Product Code (UPC), 3D Ultrasound, and Taxol, the most prescribed cancer treatment drug in the world.



Durham, North Carolina

By Maciej Misztal | As of January 1, 2023

Overview

The Durham-Chapel Hill, North Carolina (hereafter, Durham) metropolitan area consists of Chatham, Durham, Orange, and Person Counties in central North Carolina and is conterminous with the Durham-Chapel Hill Metropolitan Statistical Area (MSA). Duke, in Durham County, and UNC-CH, in Orange County, are two of the three universities that make up the points in the “Research Triangle.” Durham County contains most of RTP, the largest research park in the nation. The park is a biotech research and manufacturing hub, partly due to the presence of the Duke University Health System and UNC Health. The strong healthcare presence, coupled with relatively affordable housing, attracts retirees to the Durham metropolitan area.

- The population of the metropolitan area is currently estimated at 605,500, having increased by an average of 7,925 a year, or 1.4 percent, since 2010, with net in-migration accounting for 69 percent of all the growth.
- From 2018 through 2022, population growth averaged 6,550 people, or 1.1 percent, annually. Net migration averaged 4,800 people, or 73 percent of the net gain. By contrast, the net natural increase averaged approximately

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1,750 people a year (U.S. Census Bureau population estimates as of July 1) and was generally declining during the 2010s, partly because of an aging population.

- The population of the metropolitan area is more educated than that of the nation, partly because of a concentration

of high-tech jobs in the metropolitan area. Approximately 23.8 percent of the population aged 25 years or older have graduate or professional degrees, compared with 13.2 percent in North Carolina and 13.8 percent nationally (2021 American Community Survey 1-year estimates).

Economic Conditions

The economy of the Durham metropolitan area is strong after fully recovering from the 2020 recession. Compared with the nation, the metropolitan area had fewer job losses at the onset of the COVID-19 pandemic, and the subsequent recovery was more robust. As a result, nonfarm payrolls were 5.9 percent higher as of the fourth quarter of 2022 than the fourth quarter of 2019, compared with 2.5 percent higher for the nation. Nonfarm payrolls in the metropolitan area averaged 353,400 jobs as of the fourth quarter of 2022, representing an increase of 11,500 jobs, or 3.4 percent, from a year earlier—the same percent increase as in the nation—due to growth in 10 of the 11 nonfarm payroll sectors. Total nonfarm payrolls in the metropolitan area grew faster than the nation during most of the previous decade; from the fourth quarter of 2012 through the fourth quarter of 2019, nonfarm payrolls in the metropolitan area expanded an average of 2.1 percent annually, compared with an average annual growth of 1.7 percent for the nation.

During the fourth quarter of 2022—

- The largest job increase was in the leisure and hospitality sector, which increased by 3,700, or 15.2 percent, to

28,000 jobs as the sector continued to recover from the most recent economic downturn. The strong gains in this sector were due, in part, to the opening of Boxyard RTP, which used modified shipping containers to provide space for 16 shops and restaurants in RTP, which previously prohibited commercial retail and food services.

- The education and health services sector, which includes Duke University, and the government sector, which includes UNC-CH, grew by 1,700 and 1,300 jobs, or 2.2 and 1.8 percent, respectively. These are the two largest nonfarm payroll sectors in the metropolitan area, accounting for 22 and 20 percent of total jobs, respectively.
- The only sector that did not grow was the transportation and utilities sector, remaining at 9,000 jobs compared with the fourth quarter of 2021.
- The unemployment rate was unchanged year over year at 3.0 percent, the lowest level for a fourth quarter since 2000. The unemployment rate as of the fourth quarter of 2019, before the COVID-19 pandemic, was 3.1 percent.

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Nonfarm payroll job growth was strong in the Durham metropolitan area as of the fourth quarter of 2022 with gains occurring in most sectors.

	3 Months Ending		Year-Over-Year Change	
	December 2021 (Thousands)	December 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	341.9	353.4	11.5	3.4
Goods-Producing Sectors	43.9	45.2	1.3	3.0
Mining, Logging, & Construction	9.4	9.7	0.3	3.2
Manufacturing	34.4	35.6	1.2	3.5
Service-Providing Sectors	298.1	308.1	10.0	3.4
Wholesale & Retail Trade	32.9	33.3	0.4	1.2
Transportation & Utilities	9.0	9.0	0.0	0.0
Information	6.4	6.6	0.2	3.1
Financial Activities	17.2	17.7	0.5	2.9
Professional & Business Services	50.0	52.0	2.0	4.0
Education & Health Services	76.7	78.4	1.7	2.2
Leisure & Hospitality	24.3	28.0	3.7	15.2
Other Services	11.2	11.5	0.3	2.7
Government	70.3	71.6	1.3	1.8
Unemployment Rate	3.0%	3.0%		

Note: Numbers may not add to totals due to rounding.

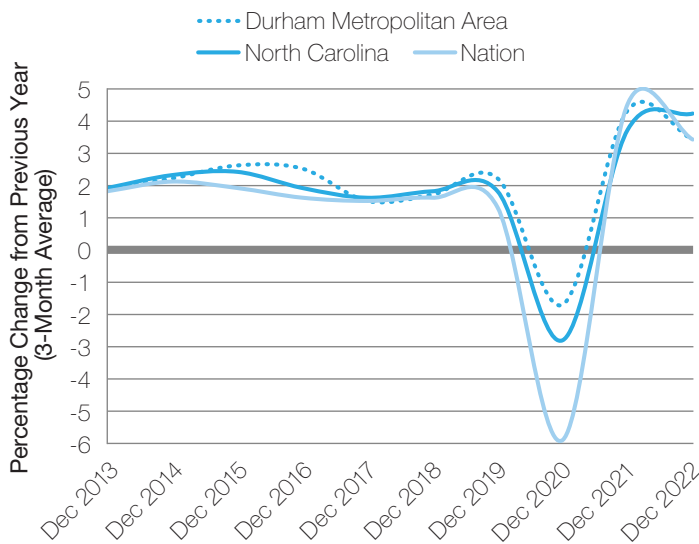
Source: U.S. Bureau of Labor Statistics



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RTP is an incubator for research, development, testing, and manufacturing, particularly in the biotech industry. Development in biotech and other high-tech fields spurred the growth of the professional and business services and the manufacturing sectors in the Durham metropolitan area during the fourth

Job losses caused by the impacts of the COVID-19 pandemic were not as severe in the Durham metropolitan area as in North Carolina and the nation.



Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The home sales market in the Durham metropolitan area is slightly tight, but easing, with the inventory of homes for sale at 1.6 months in December 2022, having increased from 1.2 months of supply in December 2021 (CoreLogic, Inc.). By comparison, 1.9 months of supply were available in December 2019, down from a December high of 8.2 months in 2010. The sales vacancy rate is currently estimated at 1.3 percent, down from 2.6 percent in 2010 when conditions were soft. A limited supply of for-sale inventory, which reached unprecedented lows since the onset of the pandemic, coupled with historically low mortgage interest rates, contributed to the lower vacancy rate. The recent easing of market conditions is partly due to rising mortgage interest rates. The average interest rate for a 30-year, fixed-rate mortgage was 6.4 percent in December 2022, up from 3.1 percent a year earlier (Freddie Mac). During 2022, as home prices continued to grow, home sales fell for the first year in more than a decade.

During December 2022, 0.8 percent of home loans in the Durham metropolitan area were seriously delinquent or had transitioned into real estate owned (REO) status, down from 1.3 percent a year earlier (CoreLogic, Inc.). The rate in the metropolitan area

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quarter of 2022, contributing to increases of 2,000 and 1,200 jobs, or 4.0 and 3.5 percent, respectively. Combined, the sectors represent more than one-quarter of total nonfarm jobs in the metropolitan area. During the past 2 years, Jaguar Gene Therapy, LLC, Adverum Biotechnologies, Inc., and Catalent, Inc., a biotech manufacturer, announced respective investments of \$125 billion, \$80 billion, and \$40 billion, which are expected to create approximately 200 jobs each during the next 2 to 4 years. Employment has also been expanding in other areas. Smart Wires Inc., which develops technologies involving power grids, recently opened its headquarters and state-of-the-art labs in the metropolitan area and is anticipated to employ 250 people in the professional and business services sector by 2026. In 2021, Alphabet Inc., the parent company of Google, opened a cloud-computing engineering hub, which is expected to create as many as 1,000 jobs in and around downtown Durham.

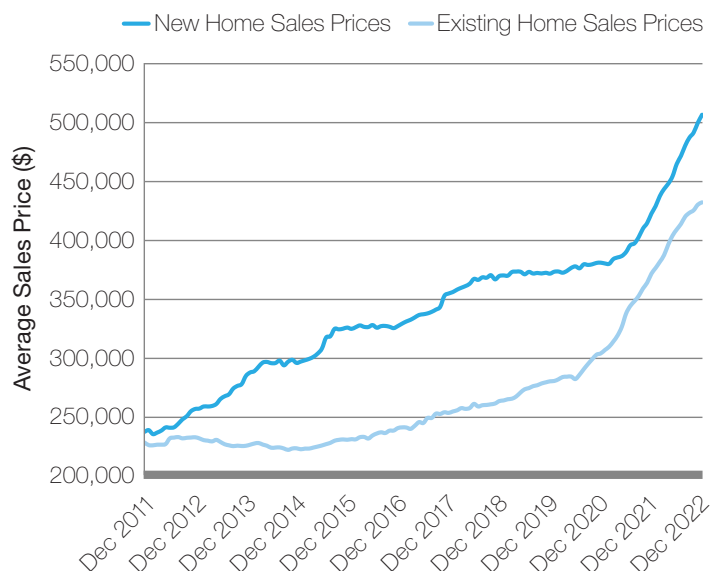
Largest Employers in the Durham Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Duke University and Duke University Health System	Education & Health Services	31,050
The University of North Carolina at Chapel Hill and UNC Health	Government	17,900
International Business Machines Corporation	Professional & Business Services	9,000

Note: Excludes local school districts.

Sources: *Triangle Business Journal*; Duke University; The University of North Carolina at Chapel Hill; estimates by the analyst

New and existing home prices in the Durham metropolitan area have surged since 2020.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Zonda



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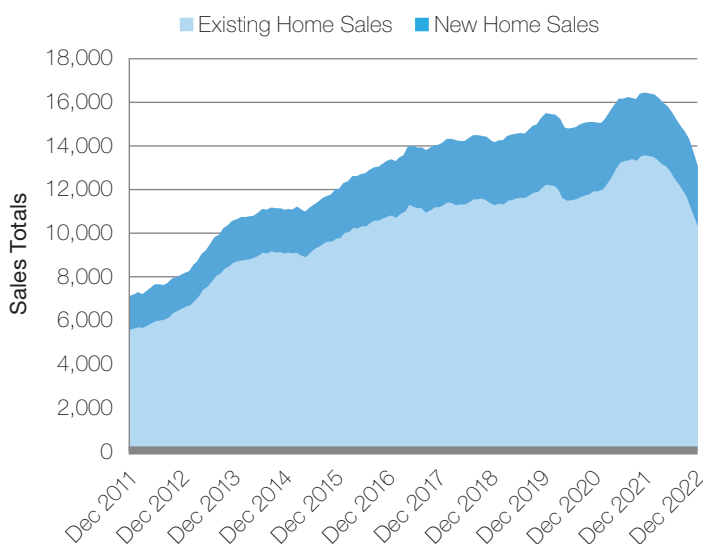
was slightly below the rates for North Carolina and the nation, which were 1.1 and 1.2 percent, respectively, during December 2022. The onset of the COVID-19 pandemic in early 2020 and efforts to contain the spread of the virus led to business closures, job losses, and rising unemployment that contributed to a brief spike in seriously delinquent mortgages. As a result, the rate of seriously delinquent mortgages and REO properties reached 3.0 percent in the metropolitan area during December 2020. Since then, the rate has declined because of improved economic and sales housing market conditions.

During 2022—

- New home sales decreased 14 percent from a year earlier to 2,400 homes (Zonda). This trend accelerated from a 9-percent decrease during 2021 compared with the previous year.
- The average sales price for new homes was \$506,000, or 20 percent higher than the \$422,100 average sales price during 2021. By comparison, prices during 2021 rose 11 percent compared with the year before.
- Existing home sales totaled 10,600 homes, representing a 22-percent decrease from the previous year. By comparison, existing sales increased 14 percent during 2021.
- The average sales price for existing homes increased 16 percent to \$431,300, following an increase of 22 percent during 2021.

In the Durham metropolitan area, new sales housing construction, as measured by the number of single-family

In 2022, home sales declined in the Durham metropolitan area in response to low levels of inventory and rising interest rates.



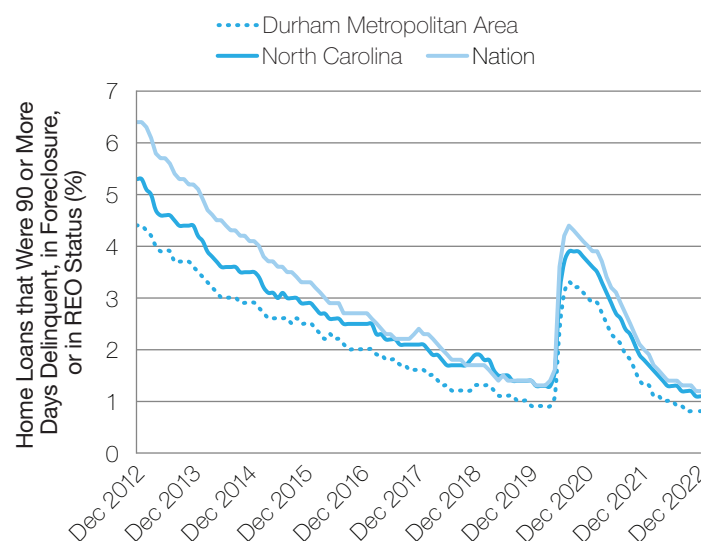
Note: Includes single-family homes, townhomes, and condominiums.
Source: Zonda

homes permitted, has been elevated since 2016 and has increased slightly since 2020.

- The number of new single-family homes permitted totaled 3,600 during 2022, reflecting an increase of 70 homes, or 2 percent, from the previous 12 months (preliminary data, with

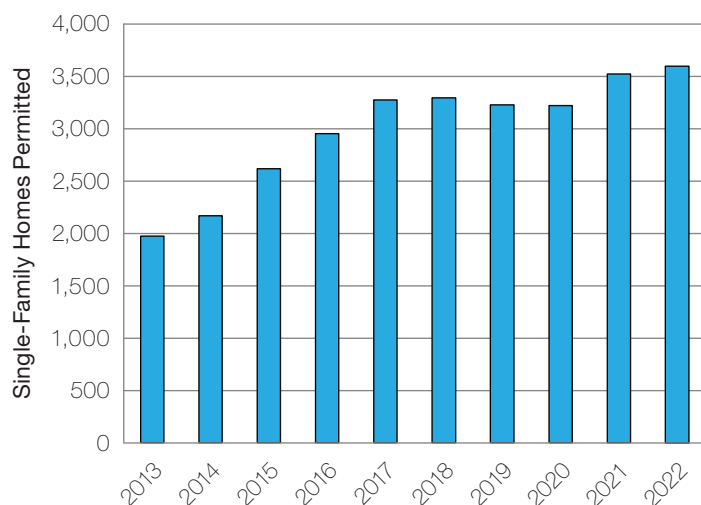
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The rate of seriously delinquent home loans and REO properties in the Durham metropolitan area has been lower than the rates for North Carolina and the nation since December 2011.



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

The number of single-family homes permitted in the Durham metropolitan area has increased slightly since 2020.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

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estimates by the analyst). New home construction trended upward from 1,975 homes in 2013 to 3,525 homes in 2021.

- During 2021, Durham County accounted for more than 58 percent of the single-family homes permitted in the metropolitan area, followed by Chatham and Orange Counties with 20 and 13 percent, respectively. Durham and Chatham Counties benefited from sharing a border with the Raleigh, NC

MSA, which also had sizable economic and population growth, resulting in spillover growth in the neighboring counties.

- Ellis Walk offers homes ranging in size from 1,675 to 2,900 square feet, with prices starting from approximately \$340,000 to \$508,000. This master-planned community, east of the growing downtown Durham, has completed roughly 70 of the 170 homes expected at buildout.

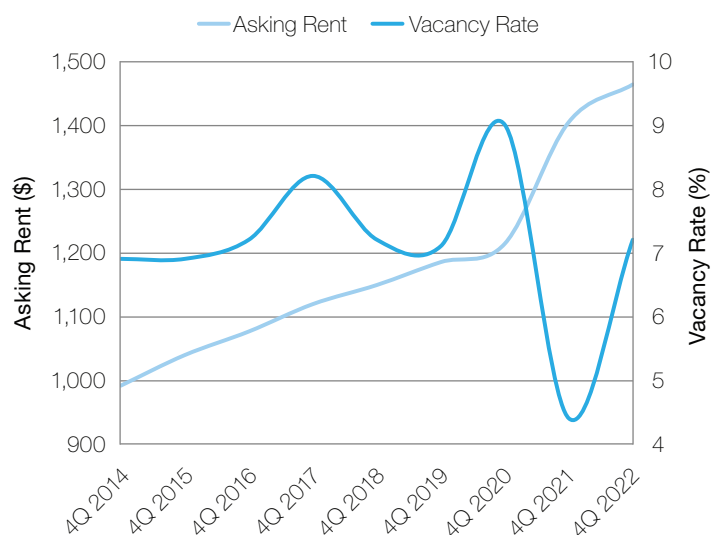
Apartment Market Conditions

Apartment market conditions are currently balanced in the Durham metropolitan area. Sustained apartment construction activity in recent years has contributed to an elevated number of properties in lease up and under construction. The apartment vacancy rate, which includes properties in lease up, averaged 7.2 percent as of the fourth quarter of 2022, up from 4.4 percent a year earlier (CoStar Group). Vacancies increased during 2022 because approximately 2,100 new apartment units were completed. By comparison, an average of 1,600 new units entered the market each year from 2015 through 2020.

During the fourth quarter of 2022—

- The average rent in the metropolitan area rose to \$1,464, a 4-percent increase from a year ago. The average apartment rent increased 16 percent as of the fourth quarter of 2021, almost four times the annual rate of rent growth of any fourth quarter during the previous decade. Students accounted for approximately 9 percent of renter households in the metropolitan area.
- Market conditions across the six largest CoStar Group-defined market areas in the Durham metropolitan area ranged from tight in the Chatham County market area to slightly soft in the South Durham market area, with vacancy rates of 3.3 and 8.2 percent, respectively. Most other market areas were balanced. The vacancy rates increased in all but the Outlying Orange County market area during the past year.
- The Downtown Durham market area, which includes Duke University, accounted for approximately 39 percent of the apartment inventory in the metropolitan area after adding approximately 820 units during 2022. The average vacancy rate was 7.1 percent, up from 3.8 percent a year earlier, and the average rent increased 4 percent to \$1,480.
- The average vacancy rate rose to 7.4 percent from 4.7 percent in the Chapel Hill market area encompassing UNC-CH, and the average rent increased 6 percent to \$1,542. The market area added approximately 420 units during 2022 and accounted for 21 percent of the apartment inventory in the metropolitan area.

Apartment rents and the vacancy rate increased during the past year in the Durham metropolitan area.



4Q = fourth quarter.

Source: CoStar Group

Multifamily construction, which primarily includes apartments, hit an 8-year high during 2021 and grew higher during 2022 in the Durham metropolitan area. After a brief decline in 2014, multifamily construction remained relatively steady from 2015 through 2020.

During 2022—

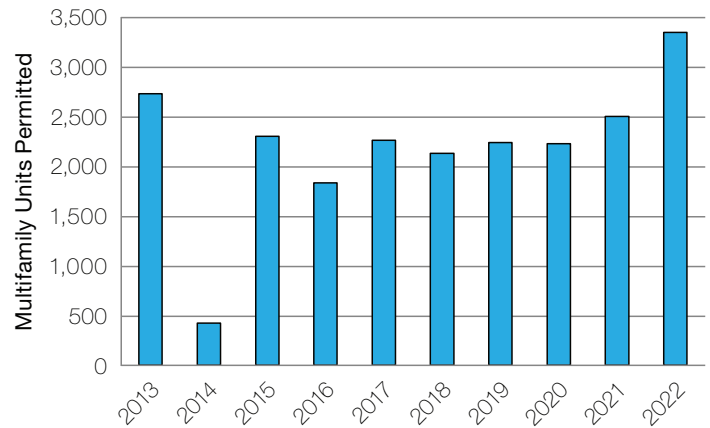
- Approximately 3,350 multifamily units were permitted in the metropolitan area, up 34 percent from the 2,500 units permitted a year earlier (preliminary data, with estimates by the analyst). From 2015 through 2020, an average of 2,150 multifamily units were permitted annually.
- Nearly 63 percent of multifamily unit permitting in the metropolitan area occurred in Durham County, followed by 20 and 17 percent in Orange and Chatham Counties, respectively. During the previous 5 years, Durham, Orange, and Chatham Counties accounted for 75, 17, and 8 percent of multifamily construction, respectively.

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- Plat 4 at Research Triangle is a new apartment development in southeast Durham County, near the border of the Raleigh, NC MSA, where the lifting of restrictions on residential and commercial additions to RTP during the past 5 years has led to significant construction. Studio, one-bedroom, two-bedroom, and three-bedroom units with rents ranging from \$1,375 to \$2,575 at the 240-unit development are expected to be available in the spring of 2023.
- Near growing downtown Durham, Beckon Apartments, with 260 units, is under construction. When complete in the spring of 2023, the property is expected to feature studio, one-bedroom, two-bedroom, and three-bedroom units with rents starting at \$1,625, \$1,850, \$2,325, and \$3,150, respectively.

During 2022, the number of multifamily units permitted in the Durham metropolitan area was the greatest in nearly 40 years.



Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; 2022—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits/ Permits	Building permits do not necessarily reflect all residential building activity. 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.
Existing Home Sales	Includes regular resales and real estate owned (REO) sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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