

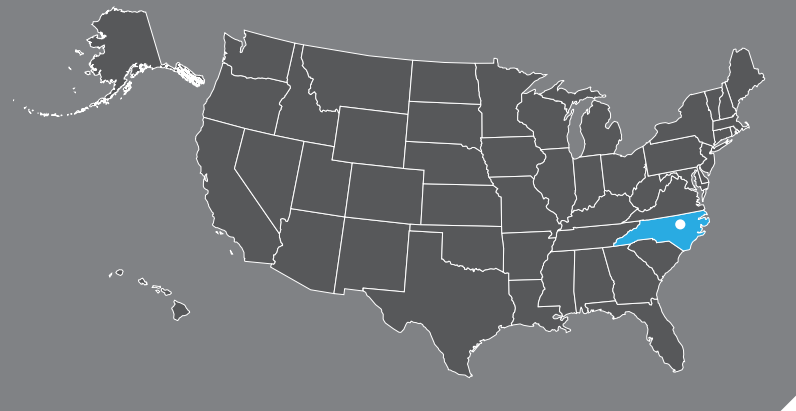
# HUD PD&R Housing Market Profiles

## Raleigh, North Carolina



### Quick Facts About Raleigh

- Current sales market conditions: tight
- Current rental market conditions: slightly tight
- North Carolina State University (NCSU) in Raleigh is the largest university in the state, with 30,000 students, 2,200 faculty, and 6,500 staff; it ranked 32 among public schools in the nation by *U.S. News & World Report* in 2021. In 2015, NCSU had a \$6.5 billion annual economic impact on North Carolina (Economic Modeling Specialists International).



By Maciej Misztal | As of November 1, 2021

### Overview

The Raleigh, NC Metropolitan Statistical Area (hereafter, Raleigh metropolitan area) consists of Franklin, Johnston, and Wake Counties in central North Carolina and is the second largest metropolitan statistical area in the state. The city of Raleigh, primarily located in Wake County, contains the state capital and is the largest city and the economic foundation in the metropolitan area. The Raleigh metropolitan area, combined with the nearby cities of Durham and Chapel Hill, is often referred to as the “Research Triangle” because of the large research universities in each city. Much of the research conducted in the area is concentrated in the high-tech industry.

- The current population of the Raleigh metropolitan area is estimated at 1.46 million, an increase of 29,050, or 2.1 percent, annually since July 2016, comparable to the 28,350, or 2.3 percent, annual increase from 2011 to 2016 (Census Bureau population estimates as of July 1, with adjustments by the analyst). Net in-migration represented 74 and 69 percent of population growth in each period, respectively.

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- Lower levels of net natural increase, resident births minus resident deaths, since 2010 occurred because of a decline in births and an aging population. From 2010 to 2019, the portion of residents younger than the age of 5 declined from 7.3 to 6.0 percent; at the same time, the share of residents ages 65 and older in the metropolitan area increased from 9.0 to 12.4 percent (American Community Survey [ACS] 1-year data).
- The Research Triangle attracts highly educated workers; in 2019, approximately 48.0 percent of the population ages

24 years or older had a bachelor's degree or higher, compared with 33.1 percent for the nation. This trend is accelerating; the figure was 41 percent for the metropolitan area in 2010.

- In 2019, the populations of Wake, Johnston, and Franklin Counties accounted for an estimated 81, 14, and 5 percent of the total population of the metropolitan area, respectively. The city of Raleigh accounted for 33 percent of the metropolitan area population; a small portion of the city is outside the Raleigh metropolitan area in Durham County.

## Economic Conditions

Economic conditions in the Raleigh metropolitan area had strengthened for 10 consecutive years before the COVID-19 pandemic; from 2012 through 2019, nonfarm payrolls increased an average of 3.1 percent annually, outpacing job growth in North Carolina and the nation. The economy of the Raleigh metropolitan area has weakened significantly since the onset of the COVID-19 pandemic, which the World Health Organization declared on March 11, 2020. To slow the spread of COVID-19, beginning in late March 2020, the state of North Carolina issued stay-at-home orders and placed restrictions on the business hours and capacity of nonessential businesses and restrictions on visitors traveling to the state by air; layoffs occurred in the metropolitan area. During March and April 2020, nonfarm payrolls decreased by a combined 80,200 jobs, or 12.2 percent, compared with February 2020 (not seasonally adjusted). The greatest losses were in the leisure and hospitality sector; it declined by 35,200 jobs, or 48 percent—a drop from

which the sector has yet to recover. Through October 2021, the sector regained 30,800 jobs, or 88 percent of jobs lost; total nonfarm payrolls have surpassed their prepandemic level in the metropolitan area.

During the 3 months ending October 2021—

- Nonfarm payrolls averaged 656,300 jobs, an increase of 30,800 jobs, or 4.9 percent, compared with nonfarm payrolls during the same period a year earlier. By comparison, the metropolitan area lost 24,100 jobs, a 3.7-percent loss, during the 3 months ending October 2020, compared with nonfarm payrolls during the same period in 2019.
- The largest payroll sector, the professional and business services sector, led job growth, increasing by 6,400 jobs, or 5.0 percent, to 134,300 jobs. This sector had the strongest recovery; after 7,800 jobs, or 30 percent, were lost from

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**During the 3 months ending October 2021, nonfarm payrolls in the Raleigh metropolitan area added jobs in 9 of 11 sectors.**

	3 Months Ending		Year-Over-Year Change	
	October 2020 (Thousands)	October 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	625.5	656.3	30.8	4.9
Goods-Producing Sectors	71.6	77.0	5.4	7.5
Mining, Logging, & Construction	41.9	45.1	3.2	7.6
Manufacturing	29.8	32.0	2.2	7.4
Service-Providing Sectors	553.8	579.3	25.5	4.6
Wholesale & Retail Trade	97.0	99.9	2.9	3.0
Transportation & Utilities	19.5	20.9	1.4	7.2
Information	21.9	22.2	0.3	1.4
Financial Activities	33.4	34.9	1.5	4.5
Professional & Business Services	127.9	134.3	6.4	5.0
Education & Health Services	78.4	80.9	2.5	3.2
Leisure & Hospitality	55.5	67.1	11.6	20.9
Other Services	25.4	25.3	-0.1	-0.4
Government	94.8	93.8	-1.0	-1.1
<b>Unemployment Rate</b>	6.0%	3.3%		

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

Source: U.S. Bureau of Labor Statistics



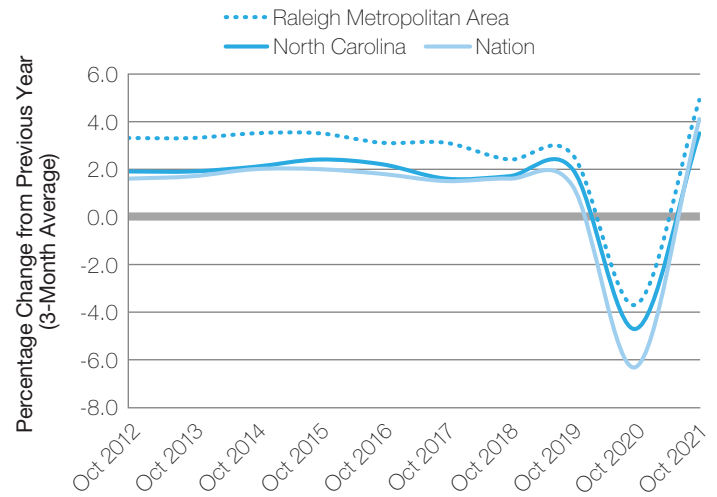
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February through April 2020, the sector has since increased by 17,000 jobs. The relatively low need for face-to-face interactions and the widespread adoption of telework made the sector less susceptible to impediments caused by COVID-19 countermeasures.

- Partially offsetting job growth, the government sector declined by 1,000 jobs, or 1.1 percent, from a year earlier. Job losses in state government payrolls of 1,300 jobs, or 3.2 percent, more than offset gains in local government payrolls of 800 jobs, or 1.8 percent. Reduced tax revenue resulting from the pandemic led to furloughs and delayed hiring; the presence of the state capital and a large public university in the metropolitan area led to disproportionately higher job losses from those state budget reductions.
- The unemployment rate averaged 3.3 percent, down from 6.0 percent a year earlier. By comparison, the unemployment rate for the nation averaged 4.7 percent, down from 7.6 percent a year earlier.

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 parks in the nation. In Wake and Durham Counties, RTP is home to more than 200 organizations that employ a combined 50,000 people. In September 2020, a \$1.5 billion hub project—expected to encompass more than 44 acres of residential, retail, and hotel space—broke ground at RTP after a 60-year ban on such developments. The Research Triangle Foundation, responsible for all private and public development at RTP, rezoned the 100-acre Science Research Park site for mixed-use development, a first for RTP. The purpose of the rezoning is to better compete for educated workers who want the nearby amenities of more urban technology hubs and green spaces at a lower cost. Most jobs in the park are in the professional and business services sector and

### Nonfarm payroll growth in the Raleigh metropolitan area has outperformed the region and the nation since 2012.



Source: U.S. Bureau of Labor Statistics

### Largest Employers in the Raleigh Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of North Carolina	Government	33,102
Walmart Inc.	Wholesale & Retail Trade	16,200
WakeMed Health and Hospitals	Education & Health Services	9,773

Notes: Excludes local school districts. The state of North Carolina includes North Carolina State University.

Source: Wake County Economic Development

the manufacturing sector. Just outside RTP in the city of Holly Springs, Amgen Inc., a biopharmaceutical company, plans to build a multi-product drug substance manufacturing operation; the \$550 million investment is expected to create 355 well-paying jobs and be complete in 2024.

## Sales Market Conditions

Sales housing market conditions in the Raleigh metropolitan area are currently tight, with an estimated sales vacancy rate of 0.9 percent, down from 2.5 percent in 2010, when market conditions were soft. In conjunction with strong population and economic growth before the pandemic, a limited supply of for-sale inventory contributed to the decline in the vacancy rate. The months' supply of homes for sale has been less than 6 months (typical of a balanced market) since the first quarter of 2013 (CoreLogic, Inc.). As of October 2021, a 1.2-month supply of homes was available for sale, down from 1.5 months' supply a year ago. By comparison, the months' supply of inventory in October 2021 for North Carolina and the nation was 1.9 and 1.8 months, respectively.

During the 12 months ending September 2021 —

- New home sales totaled 10,250, a decrease of 720 homes, or 7 percent, from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Recent decreases due to low inventory—caused by supply-chain issues—have ended a 5-year period of increasing sales. New home sales accounted for 24 percent of all home sales in the metropolitan area.
- The average sales price of a new home was \$404,600, a 5-percent increase from \$384,900 during the previous 12 months. New home sales prices have been increasing for the past 9 years.

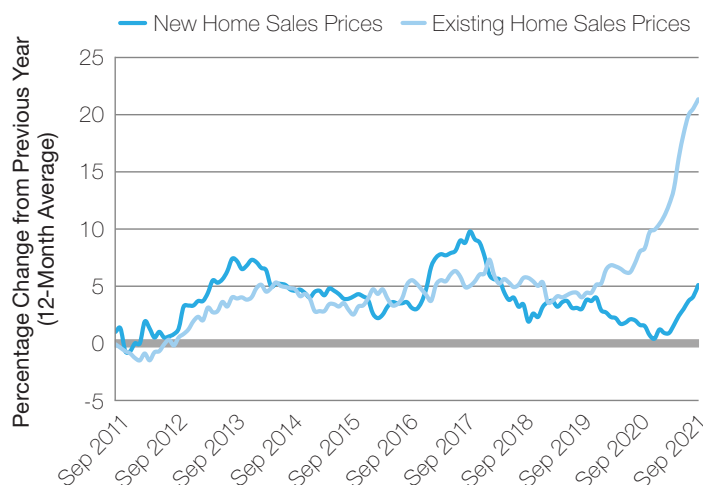
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- Existing home sales (including single-family homes, townhomes, and condominiums) increased 5 percent from a year earlier, to 32,100 homes sold.
- The average sales price of an existing home was \$371,700, a 21-percent increase from \$306,300 during the previous 12 months. Sales prices increased significantly due to limited inventory and strong in-migration.

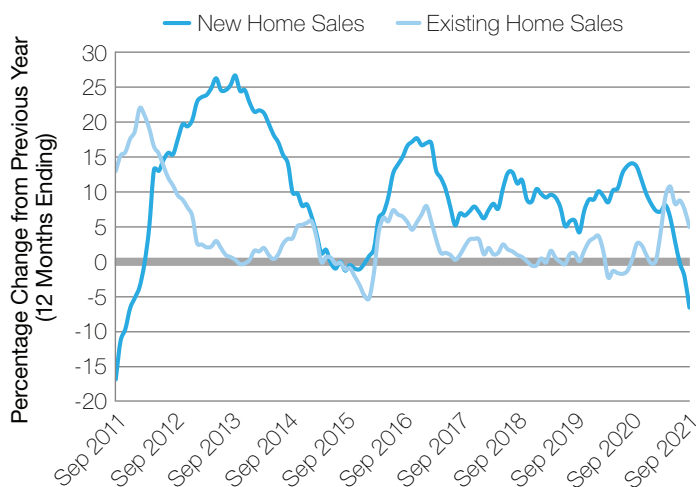
A tight home sales market and low inventory of homes for sale contributed to strong existing home price growth in the Raleigh metropolitan area in the past year.



Notes: Data are rolling 12-month averages. Sales prices include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc.

Existing home sales in the Raleigh metropolitan area increased in the past year, whereas new home sales began to decline.



Notes: Data are rolling 12-month averages. Home sales include single-family homes, townhomes, and condominiums.

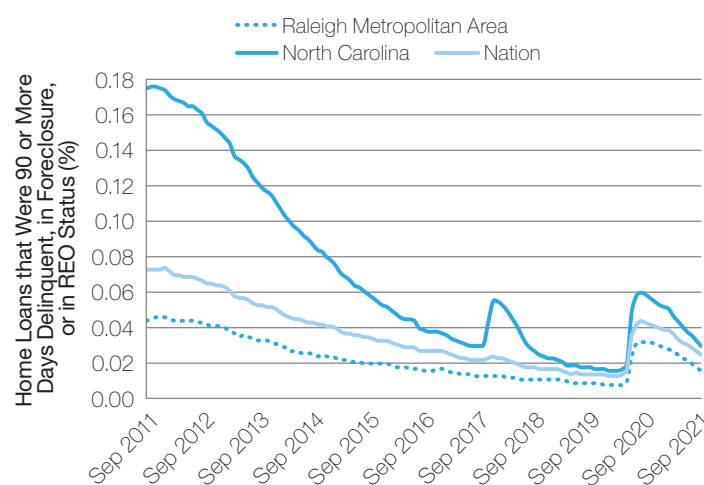
Source: CoreLogic, Inc.

New home construction—as measured by the number of single-family homes, townhomes, and condominiums permitted—generally trended upward from 2012 through 2020 in response to fewer available existing homes for sale resulting from decreasing home mortgage interest rates and strong in-migration.

- The number of homes permitted totaled 15,300 during the 12 months ending September 2021, up by 3,375 homes,

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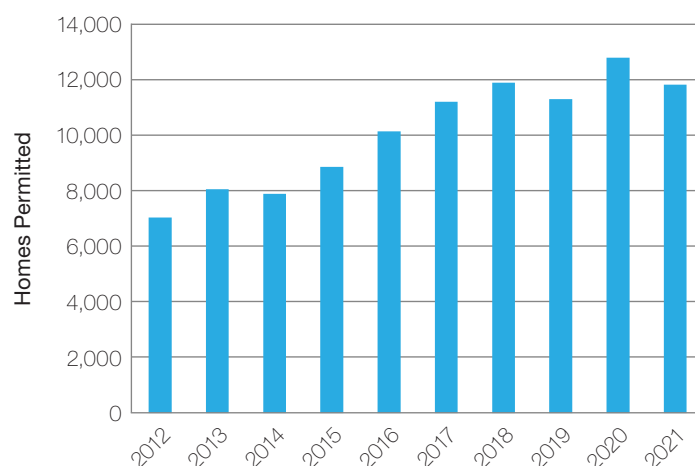
The percentage of home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status decreased in the past year in the Raleigh metropolitan area and remains below the North Carolina and national rates.



REO = real estate owned.

Source: CoreLogic, Inc.

Sales housing construction in the Raleigh metropolitan area has generally risen since 2012.



Note: Data for 2021 are through October 2021 and include preliminary data and estimates by the analyst.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



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or 28 percent, from the 12 months ending September 2020 (preliminary data, with adjustments by the analyst). From 2013 through 2018, the number of homes permitted increased by an average of 810 homes, or 9 percent, a year.

- Wake County accounted for 82 percent of homes built from 2011 through 2020, followed by Johnston and Franklin Counties, with 14 and 4 percent, respectively.
- Several townhome developments are under construction, including Townes at North Salem in the city of Apex, with

properties from \$299,000 to \$343,000. Since opening in 2018, 165 new homes have sold, and an additional 22 homes are being built.

- The master-planned community of 5401 North is in the Neuse township with single-family homes for sale ranging from \$296,000 to \$500,000. Since opening in 2015, 286 new homes have sold, and an additional 50 homes are under construction. Approximately 424 home sites remain available for construction at the development.

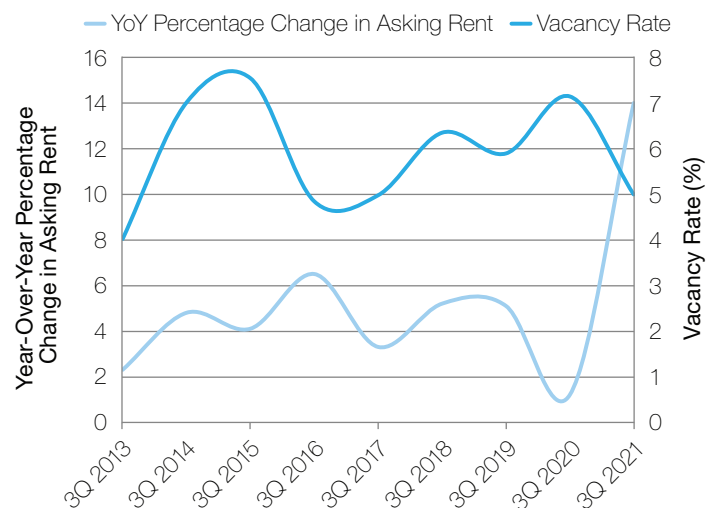
## Rental Market Conditions

Overall rental housing market conditions in the Raleigh metropolitan area are slightly tight, with an estimated 5.4-percent vacancy rate for all rental units (including single-family homes, townhomes, and apartments), down from an 8.6-percent vacancy rate in 2010, when market conditions were soft. The increase in renter households since 2010 has outpaced the number of rental housing units added to the market—including the construction of new apartments and sales housing that shifted to the rental market—contributing to the tightening of the rental market. In 2019, approximately 33 percent of renter households in the metropolitan area lived in single-family attached or detached homes; 50 percent lived in multifamily dwellings with five or more units, typically apartments; those figures were similar in 2010 (ACS 1-year data).

During the third quarter of 2021—

- The apartment market in the Raleigh metropolitan area was slightly tight, with a vacancy rate of 5.0 percent, down from 7.1 percent a year earlier (Moody's Analytics REIS, with adjustments by the analyst); the average asking rent in the area was \$1,339, a 14-percent increase from a year earlier. Rising home prices, a reviving economy, and a slowdown in rental construction during 2020 led to a slightly tight apartment market with rapidly increasing rents.
- The Moody's Analytic REIS-defined market area of Northwest Raleigh had the lowest vacancy rate, at 3.6 percent, down from 6.8 percent a year earlier; the average rent increased 13 percent, to \$1,363.
- Average rent in the Northeast Raleigh market area, which contains RTP, increased 17 percent year-over-year, the most of any market area, to \$1,339; the vacancy rate was 4.2 percent, down from 4.9 percent a year earlier.
- In the Central market area, which includes NCSU, the vacancy rate declined to 6.8 percent from 12.0 percent a year earlier; the average rent, the highest in the Raleigh area, increased 14 percent, to \$1,411, in part due to recently completed high-end construction in the Central market area.

During the past year, average rent growth in the Raleigh metropolitan area increased as the vacancy rate decreased.



3Q = third quarter. YoY = year-over-year.

Source: Moody's Analytics REIS, with adjustments by the analyst

Rental construction activity, as measured by the number of rental units permitted, increased from 4,250 in the 12 months ending September 2020 to 7,800 in the 12 months ending September 2021 (preliminary data, with adjustments by the analyst); by comparison, 4,600 units were permitted a year on average from 2013 through 2018. Much of the construction has been high-end apartments aimed at migrants to the Research Triangle who want amenities similar to competing and more urban research centers.

- As of November 1, 2021, 10,100 rental units are under construction in the Raleigh metropolitan area; the city of Raleigh accounts for 55 percent of those units, followed by Cary, with 15 percent.
- Recently completed developments include the 259-unit Bainbridge Cary, a luxury apartment development offering

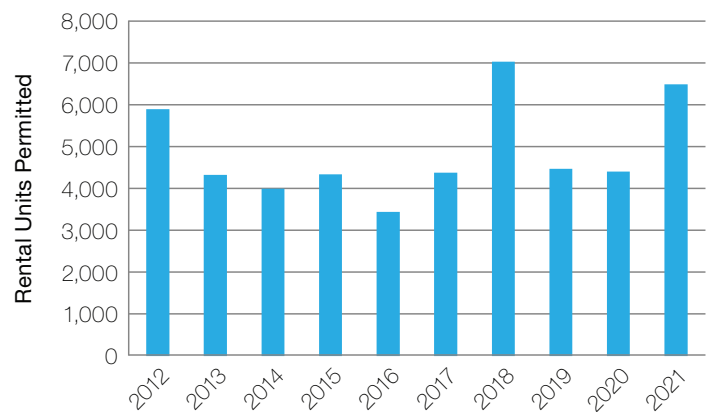
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one-, two-, and three-bedroom units with rents from \$1,500 to \$2,761; the property is currently in lease up, with approximately 10 percent of units available to rent.

- The 255-bed The Cardinal at North Hills in Raleigh offers a range of services from memory care to rehabilitation programs marketed at relocating seniors; the recently completed 150-unit luxury independent-living addition offers one-, two- and three-bedroom floor plans from 1,000 to 2,300 square feet, with amenities such as daily check-ins and onsite medical staff.

As of November 1, 2021, rental construction for the year is already higher than all but one calendar year since 2012 in the Raleigh metropolitan area.



Note: Data for 2021 are through October 2021 and include preliminary data and analyst estimates.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst