

Housing Market Profile

Southeast/Caribbean • HUD Region IV



Raleigh-Cary, North Carolina

Located in north-central North Carolina, the Raleigh-Cary metropolitan area consists of Franklin, Johnston, and Wake Counties and is the second largest metropolitan area in the state, after the Charlotte metropolitan area. From 2005 through 2008, the Raleigh-Cary metropolitan area population grew by 44,150, or 4.5 percent, annually as a result of strong nonfarm payroll job growth, which averaged 3.9 percent annually during the period. From 2009 through 2010, jobs declined by an average of 2.3 percent annually, resulting in slower population growth of 2.6 percent, or 27,500 people, a year. As of January 1, 2012, the population in the metropolitan area was estimated at 1,197,000, an average increase of approximately 38,000, or 3.3 percent, a year since April 1, 2010.

Nonfarm payroll jobs began to increase slowly after 2010. During 2011, nonfarm payrolls increased by 8,700 jobs, or 1.8 percent, to an average of 505,000 compared with jobs during 2010. The professional and business services and leisure and hospitality sectors led job gains with increases of 5,300 and 1,400 jobs, or 6.3 and 2.7 percent, respectively. In the past year, Affiliated Computer Services Inc., a call center in Cary, hired more than 1,100 workers. The education and health services sector increased by 1,400 jobs, or 2.3 percent. SEQUENOM, Inc., a healthcare company, recently announced plans to build a new molecular diagnostic laboratory, an \$18.7 million investment that will create an estimated 240 jobs in the coming year. The job gains have decreased the unemployment rate for the metropolitan area to 8.2 percent during 2011 from 8.7 percent a year earlier.

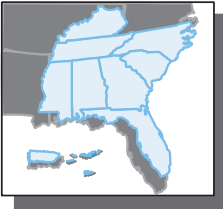
The largest private employers in the metropolitan area include International Business Machines (IBM) Corporation, WakeMed Health & Hospitals, and GlaxoSmithKline plc., with approximately 10,500, 7,750, and 4,900 employees, respectively. North Carolina State University (NC State) in Raleigh, with more than 34,400 students and 7,725 faculty and staff, has an economic impact of \$1.7 billion annually on the state, according to NC State's Office of Research, Innovation, and Economic Development. Part of the Research Triangle Park (RTP) is also located in the Raleigh-Cary metropolitan area. RTP is home to more than 170 global companies providing an estimated 48,000 jobs.

The sales housing market in the metropolitan area is currently soft. Wake County houses approximately 80 percent of the population of the metropolitan area and accounts for almost 90 percent of home sales. According to Triangle Multiple Listing Service (MLS), Inc., during 2011, the number of new and existing home sales in Wake County was down 5 percent, to 10,500 homes, continuing a decline since 2009, when 12,050 homes sold. The average sales price of new and existing homes in Wake County declined by 3 percent to \$246,800. During 2011, the number of new and existing home sales in suburban Johnston County was down by 10 percent, to 1,550 homes, and the average sales price declined by 2 percent, to \$162,100. In comparison, an average of 1,875 homes sold during 2009 and 2010. Triangle MLS, Inc. does not collect sales data in Franklin County, because much of the county is rural. According to LPS Applied Analytics, in December 2011, 4.8 percent of all mortgage loans in the Raleigh-Cary metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), up from 4.6 percent in December 2010, but less than the 6.3-percent rate for the state in December 2011.

Preliminary data indicate that single-family construction in the Raleigh-Cary metropolitan area increased by 75 homes, or 1.6 percent, to approximately 4,750 homes during 2011. This reverses a trend of declining single family construction that has occurred since 2005. From 2008 through 2010, an average of 5,200 homes was permitted, down from an average of 13,400 homes permitted from 2005 through 2007. Heritage, a single-family home development in Wake County, has constructed 1,900 homes since 2000 and plans to build 400 more homes to complete the development. The average sales price of a new home in the development is \$323,000.

The apartment market in the Raleigh-Cary metropolitan area has improved and is balanced. According to Real Data, the apartment vacancy rate for Wake County was 5.8 percent in August 2011, down from 8.4 percent in August 2010, primarily as a result of the low number of completions during the past few years. The average rent increased 5 percent to approximately \$820 during the same period. The Wake County-Southwest submarket, the largest submarket in the metropolitan area, accounts for approximately 22 percent of all apartments in the metropolitan area. The vacancy rate in the submarket decreased from 7.2 percent in August 2010 to 5 percent in August 2011, and the average rent increased from \$800 to \$850 during the same period. The Wake County-Central submarket, which includes NC State and downtown





Raleigh, contains approximately 17 percent of all apartments in the metropolitan area. The vacancy rate in the Wake County-Central submarket dropped from 10.2 percent in August 2010 to 6.6 percent in August 2011, and the average rent increased from \$760 to \$800 during the same period. NC State students compose an estimated 25 percent of renter households in the submarket in which the university is located, or around 5 percent of renter households in the metropolitan area.

Multifamily housing production, as measured by the number of units permitted, is increasing because of the balanced apartment market conditions but remains well below historical production. Preliminary data indicate

that multifamily permit activity in the Raleigh-Cary metropolitan area has nearly tripled during 2011, to approximately 1,625 units from 560 units permitted during 2010. Despite this increase, the number of multifamily units permitted is much less than the average of 4,150 units permitted a year during the peak years of 2006 through 2008. During 2009 and 2010, the number of multifamily units permitted averaged only 540 units. In Wake County, approximately 1,100 units were under construction in August 2011 compared with 630 in August 2010. The Wake County-Central submarket currently has 560 units under construction, the most in the metropolitan area. Most units under construction are expected to be complete in 2012.