

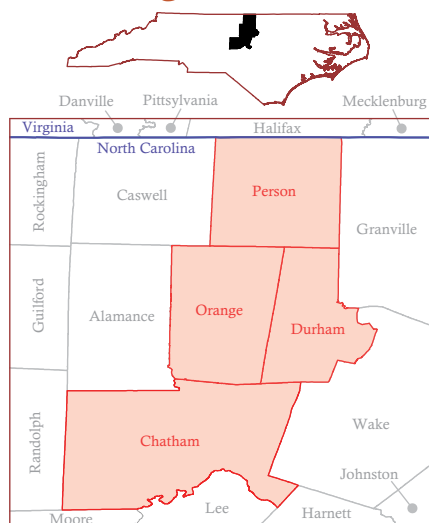


Durham-Chapel Hill, North Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of March 1, 2017



Housing Market Area



The Durham-Chapel Hill Housing Market Area (HMA) includes Chatham, Durham, Orange, and Person Counties in central North Carolina and is coterminous with the Durham-Chapel Hill, NC Metropolitan Statistical Area. The HMA and the nearby city of Raleigh are often referred to as the “Research Triangle” because of the presence of large research universities in each city. Duke University and the University of North Carolina at Chapel Hill are both located in the HMA.

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Summary

Economy

The economy of the Durham-Chapel Hill HMA has significantly improved since 2011, after the number of nonfarm payrolls declined during 2009 and 2010. During the 12 months ending February 2017, nonfarm payrolls increased by 7,700 jobs, or 2.6 percent, from the previous 12-month period, to 304,200, and the unemployment rate decreased from 5.0 to 4.5 percent. The two large research universities and a highly educated workforce are the foundation of the local economy. During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 6,400 jobs, or 2.1 percent, annually.

Sales Market

The sales housing market in the HMA is currently balanced, with an overall estimated sales vacancy rate of 1.5 percent, down from 2.6 percent in April 2010. During the 12 months ending February 2017, 10,850 homes sold, up 4 percent from the 12 months ending February 2016, and the average sales price increased 2 percent to \$253,300 (CoreLogic, Inc., with adjustments by the analyst). During the next 3 years, demand is estimated for 8,750 new homes (Table 1). The 830

homes currently under construction and a portion of the 7,300 other vacant units that may reenter the market will satisfy some of the demand.

Rental Market

Rental housing market conditions in the HMA currently are balanced, with an overall estimated vacancy rate of 5.5 percent, down from 9.5 percent in April 2010. The apartment market is also balanced, with an apartment vacancy rate of 6.6 percent in the first quarter of 2017 (MPF Research). During the forecast period, demand is estimated for 5,075 new market-rate rental units (Table 1). The 2,225 units currently under construction will satisfy some of the forecast demand.

Table 1. Housing Demand in the Durham-Chapel Hill HMA During the Forecast Period

	Durham-Chapel Hill HMA	
	Sales Units	Rental Units
Total demand	8,750	5,075
Under construction	830	2,225

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2017. A portion of the estimated 7,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is March 1, 2017 to March 1, 2020.

Source: Estimates by analyst

The Durham-Chapel Hill HMA began the 21st century with job losses; nonfarm payrolls declined by an average of 2,900, or 1.1 percent, during 2002 and 2003 because of the long-term decline of the local manufacturing sector and layoffs in the information sector related to the collapse of the dot-com bubble. From 2004 through 2008, the local economy expanded, adding an average of 5,800 payrolls, or 2.2 percent, annually. During this period, the education and health services, government, and financial activities sectors led growth, adding averages of 1,800, 1,200, and 800 jobs, or 4.0, 2.0, and 7.8 percent, respectively. Economic growth during the period supported high levels of in-migration, which caused further economic growth through increased residential construction and demand for local services.

Economic conditions in the HMA have improved every year since 2011, after the number of nonfarm payrolls declined by an average of 5,800 jobs, or 2.1 percent, a year during 2009 and 2010. Manufacturing jobs declined an average of 3,800, or 10.4 percent, as

reduced residential and commercial construction caused payrolls in the mining, logging, and construction sector to decline an average of 1,400, or 14.9 percent, during this period. Job growth returned in 2011, with an increase of 2,400 jobs, or 0.9 percent, and then accelerated to an average annual increase of 6,000 jobs, or 2.1 percent, from 2012 through 2016. Since 2010, all payroll growth has occurred in the service-providing sectors, with the education and health services and the professional and business services sectors leading growth with 2,000 and 1,100 jobs, or 3.5 and 2.8 percent, annually.

During the 12 months ending February 2017, the number of nonfarm payrolls increased by 7,700 jobs, or 2.6 percent, from the previous 12 months to 304,200 (Table 2). The education and health services and the professional and business services sectors continued to lead growth, adding 2,700 and 2,400 jobs, or 4.3 and 6.1 percent, to 65,300 and 41,900, respectively. The unemployment rate during the 12 months ending February 2017 was 4.5 percent, down from 5.0 percent during the previous 12-month period. The current unemployment rate is less than the average rate of 7.9 percent annually from 2009 through 2011 but remains higher than the previous low, which averaged 4.1 percent from 2004 through 2007. By comparison, the national unemployment rate peaked at 9.3 percent from 2009 through 2011. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2016.

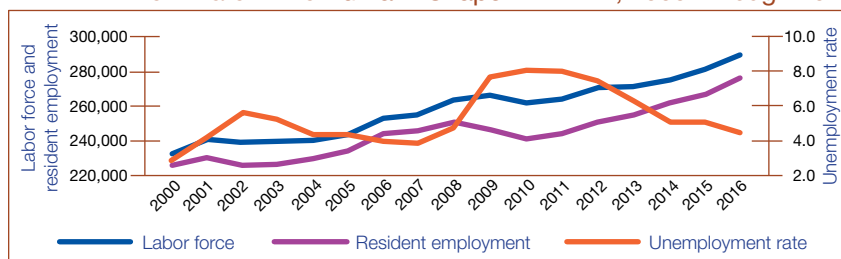
The foundation of the economy of the HMA is based on the high concentration of universities and a highly educated workforce. The percentage

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Durham-Chapel Hill HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	February 2016	February 2017		
Total nonfarm payroll jobs	296,500	304,200	7,700	2.6
Goods-producing sectors	36,700	36,400	- 300	- 0.8
Mining, logging, & construction	7,400	7,800	400	5.4
Manufacturing	29,300	28,500	- 800	- 2.7
Service-providing sectors	259,800	267,900	8,100	3.1
Wholesale & retail trade	32,100	31,900	- 200	- 0.6
Transportation & utilities	4,200	4,300	100	2.4
Information	4,500	4,700	200	4.4
Financial activities	14,100	14,800	700	5.0
Professional & business services	39,500	41,900	2,400	6.1
Education & health services	62,600	65,300	2,700	4.3
Leisure & hospitality	26,500	27,100	600	2.3
Other services	10,900	11,600	700	6.4
Government	65,300	66,300	1,000	1.5

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through February 2016 and February 2017.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Durham-Chapel Hill HMA, 2000 Through 2016

Source: U.S. Bureau of Labor Statistics

of adults in the HMA with bachelor's degrees or higher is 45 percent compared with nearly 31 percent in the nation (2015 1-year American Community Survey [ACS]), making the HMA the sixth most highly educated of the 100 largest metropolitan areas in the nation. Duke University and the University of North Carolina at Chapel Hill (UNC-Chapel Hill) are in the cities of Durham and Chapel Hill, respectively, and are both premiere research universities. *US News and World Report* ranked Duke University, with an enrollment of 16,000, the eighth best national university and UNC-Chapel Hill, with an enrollment of 29,450, 30th. Duke University and its healthcare network employ 31,518 and have an estimated statewide economic impact of \$5.8 billion, and UNC-Chapel Hill had a statewide economic impact of \$5.1 billion (Economic Modeling Specialists Report)

and employed 12,400 (Table 3). The majority of the economic impact did not result from direct spending or hiring but in human capital development and knowledge production. The economy of the HMA 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 east of the city of Durham, is home to more than 200 organizations that employ a combined 50,000 people. Major tenants include International Business Machines (IBM) Corporation, Cisco Systems, Inc., and GlaxoSmithKline plc, with approximately 10,000, 5,500, and 2,600 employees, respectively. Many firms at RTP are in the financial activities and information sectors, which directly account for a small percentage of jobs in the HMA but create predominately high-wage jobs that support the local economy. Fidelity Investments, a financial institution, expanded its software development workforce in the RTP by 600 during 2016. These job gains helped offset declining employment at GlaxoSmithKline, where employment at its RTP site declined from a high of approximately 5,000 in 2010 to 2,600 currently.

The education and health services sector, which includes Duke University

Table 3. Major Employers in the Durham-Chapel Hill HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Duke University and Duke University Health System	Education & health services	31,518
University of North Carolina at Chapel Hill	Government	12,400
International Business Machines Corporation	Information	10,000
Cisco Systems, Inc.	Information	5,500
Blue Cross & Blue Shield of North Carolina	Financial activities	3,200
Fidelity Investments	Financial activities	2,900
GlaxoSmithKline plc.	Education & health services	2,600
QuintilesIMS	Professional & business services	2,300
Research Triangle Institute	Professional & business services	2,300
Veterans Affairs	Government	2,162

Note: Excludes local school districts.

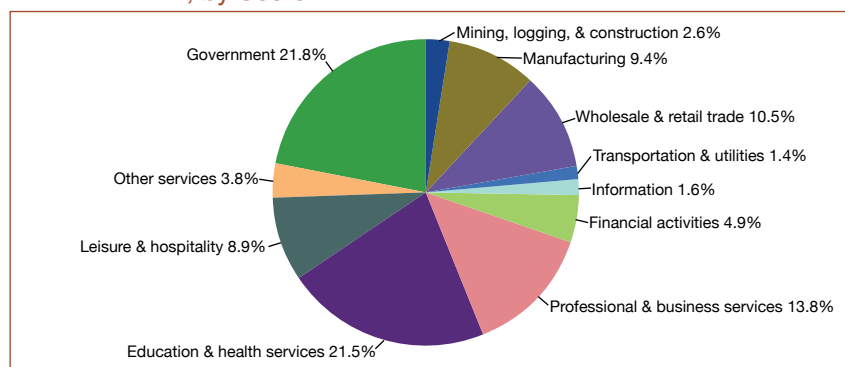
Source: Greater Durham Chamber of Commerce, with adjustments by the analyst

and Health System, is the largest private economic sector in the HMA (Figure 2). Since 2000, education and health services has been the only sector to add jobs every year and has grown at a faster rate than any other sector, adding an average of 1,800 jobs, or 3.8 percent, annually, a total increase of 84 percent since 2000 (Figure 3). This sector continued to be a catalyst of growth during the most recent 12-month period, increasing 4.3 percent, or 2,700 jobs, to 65,300 jobs. During 2016, several significant economic expansions occurred in

industries related to health care. Aurobindo Pharma USA, the U.S. branch of an Indian pharmaceutical manufacturer, announced plans to establish its headquarters in the city of Durham, which is expected to create 275 jobs in research and development, manufacturing, and management over the next several years. Humacyte, Inc., a biotechnology firm founded by researchers from Duke University, announced plans to expand its workforce at RTP by 115 during the next several years after successfully raising \$150 million.

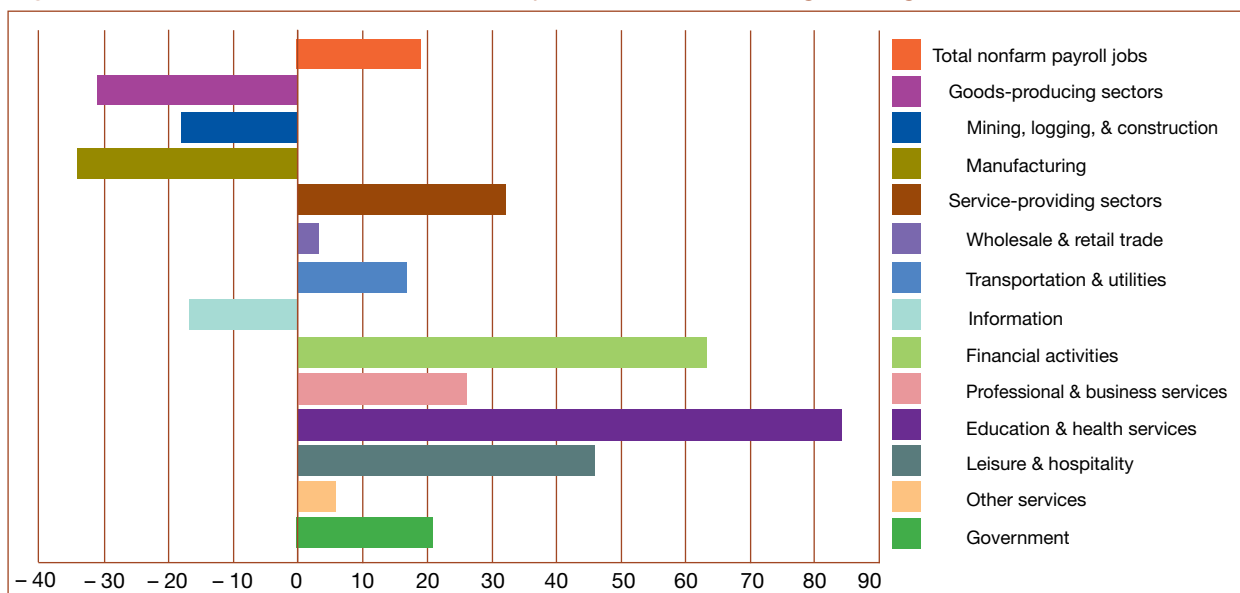
In addition to the education and health services sector, a significant portion of the professional and business services sector is related to health care as well. The HMA and the neighboring Raleigh metropolitan area have the largest concentration of contract research organizations (CROs) in the nation. CROs are companies that conduct and analyze clinical trials for pharmaceutical manufacturers. QuintilesIMS, the largest CRO in the world by trial volume, was founded at UNC-Chapel

Figure 2. Current Nonfarm Payroll Jobs in the Durham-Chapel Hill HMA, by Sector



Note: Based on 12-month averages through February 2017.
Source: U.S. Bureau of Labor Statistics

Figure 3. Sector Growth in the Durham-Chapel Hill HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through February 2017.
Source: U.S. Bureau of Labor Statistics

Hill and is still headquartered in Durham. The CROs Veristat, LLC and the Almac Group have both announced plans to expand their workforce in the HMA, by 150 and 110, respectively, over the next several years. The strength of this industry cluster caused payrolls in the professional and business services sector to increase 6.1 percent, or by 2,400 jobs, to 41,900 during the 12 months ending February 2017.

From the 1890s to the 1980s, tobacco manufacturing was the primary source of employment in the HMA, but manufacturing employment declined because of decreased tobacco consumption and use of labor-saving technology. In 1944, at the peak of tobacco manufacturing in the HMA, approximately one-half of all American-made cigarettes were produced in the city of Durham. The tobacco industry declined, however, in the second half of the 20th century, and the last tobacco factory in the city of Durham closed in 2001. Since 2000, the number of manufacturing jobs has declined nearly every year, losing an average of 900

jobs, or 2.6 percent, annually. Growth in pharmaceutical and high technology manufacturing has partially offset this trend. Cree, Inc., an LED manufacturer founded and based in Durham, has grown to be one of the HMA's top employers. However, during early 2017, Cree, Inc. laid off 70 employees in Durham, contributing to an overall loss of 800 manufacturing jobs, or 2.7 percent, during the most recent 12-month period.

During the 3-year forecast period, nonfarm payroll growth is expected to remain strong at an average of 6,400 jobs, or 2.1 percent, annually. Most job gains likely will occur in the service-providing sectors, with growth in the education and healthcare services and the professional and business services sectors supporting gains in other sectors. An additional source of job growth is Interactive Intelligence Group, Inc., a cloud-computing firm, which plans to expand its Durham workforce by 200 during the forecast period.

Population and Households

Population growth in the Durham-Chapel Hill HMA has been strong since 2000 because of generally good economic conditions, relatively lower-priced housing compared with metropolitan areas with similar economies, and the region's mild climate. In addition, the neighboring Raleigh metropolitan area was the fourth fastest-growing metropolitan area in the nation from 2000 to 2010; some of this population growth spilled over into the HMA. Population

growth in the HMA peaked from 2005 to 2008, when it averaged 10,550 people, or 2.2 percent, annually (Census Bureau population estimates as of July 1) because of job gains and a strong housing market.

Population growth slowed to 9,825, or 2.0 percent, from 2008 to 2009 and slowed again to 8,400, or 1.7 percent, from 2009 to 2010 because of job declines and the national housing crisis, which made it difficult for potential

residents to sell their existing homes and relocate to the HMA. Despite the slowdown in population growth, rates remained higher than the 2001-to-2005 average of 5,775, or 1.3 percent. Since 2010, population growth has been stable, averaging 8,825 (Figure 4), or 1.7 percent, annually, and as of March 1, 2017, the estimated population of the HMA is 565,400. The population of the HMA is expected to increase at an average annual rate of 9,275, or 1.6 percent, during the 3-year forecast period, as continued economic growth attracts migrants to the HMA.

Net in-migration and net natural change (resident births minus resident deaths)

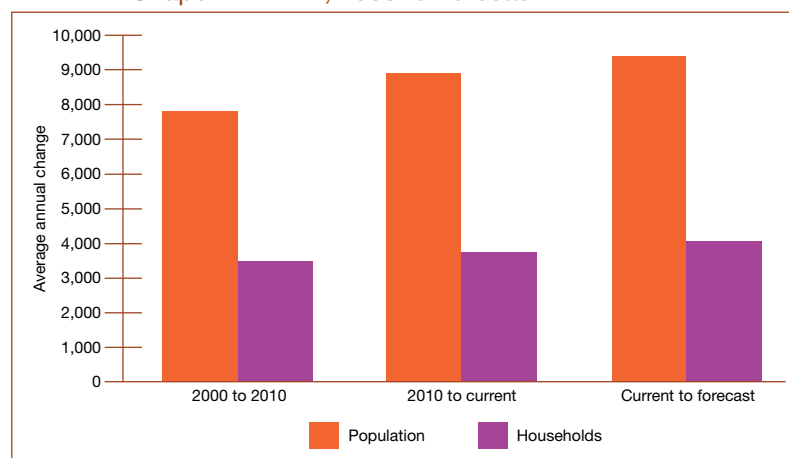
have decreased by a proportionally equal amount since 2008. Net in-migration averaged 7,075 people, or 67 percent of population growth, during the 2005-to-2008 period but only 5,900, or 67 percent of population growth, from 2010 to the current period, as net natural change declined from 3,475 to 2,925 (Figure 5). During the forecast period, in-migration is expected to account for 70 percent of all population growth.

From 2010 to 2016, the most recent year of data availability, domestic in-migration has constituted approximately 58 percent of net in-migration to the HMA. The majority of domestic in-migration to the HMA originated from the Northeast, the Midwest, and other metropolitan areas in North Carolina (2014 5-year ACS data).

International in-migration to the HMA is disproportionately concentrated in Orange County, which contains the city of Chapel Hill; since 2010, approximately 85 percent of net in-migration to this county has been international.

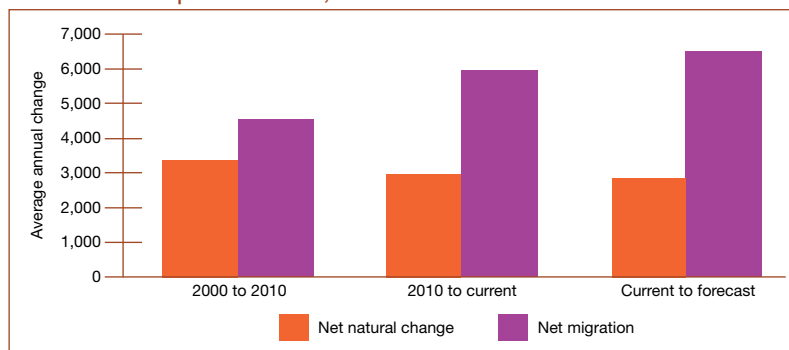
The HMA is home to an estimated 227,750 households, an increase of 3,650 households, or 1.7 percent, annually, since 2010. By comparison, household growth averaged 3,375, or 1.8 percent, annually, from 2000 to 2010. Household growth has increased in absolute terms since 2010, primarily because of higher population growth. The homeownership rate currently is estimated at 57.6 percent, down from 60.1 percent in 2010 (Table DP-1 at the end of this report) because of a weak labor market and a tight credit market during the early years of the 2010s. Renter households accounted for approximately 31 percent of household growth from 2000 to 2010 but have accounted for approximately 79 percent of household growth since

Figure 4. Population and Household Growth in the Durham-Chapel Hill HMA, 2000 to Forecast

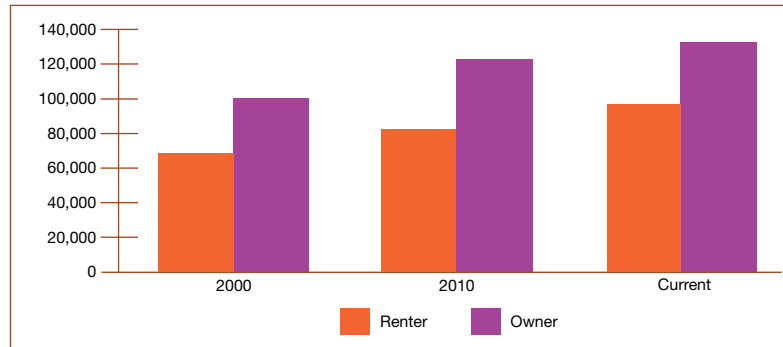


Notes: The current date is March 1, 2017. The forecast date is March 1, 2020.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Durham-Chapel Hill HMA, 2000 to Forecast



Notes: The current date is March 1, 2017. The forecast date is March 1, 2020.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Durham-Chapel Hill HMA, 2000 to Current

Note: The current date is March 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

2010. Figure 6 shows the number of households in the HMA by tenure for 2000, 2010, and the current date. The number of households in the HMA is expected to grow by 3,975, or 1.7 percent, annually during the next 3 years to 239,700 households. Renter households are expected to account for approximately 50 percent of new households, as a strong economy and increased confidence in the housing market attract prospective households to homeownership.

Housing Market Trends

Sales Market

The sales housing market in the Durham-Chapel Hill HMA is currently balanced because of decreased levels of home construction and increased economic and population growth contributing to absorption of excess inventory since 2010. As of March 1, 2017, the overall sales vacancy rate is estimated at 1.5 percent, down from 2.6 percent in 2010. As of February 2017, the HMA had 4.8 months of unsold, available inventory, down from 5.2 months in February 2016; in the same period, the number of active residential listings declined from 2,275 to 2,100 homes (Redfin). By comparison, the HMA had 13.9 months of supply and 3,250 listings available in February 2010.

Since 2012, the demand for homes has increased faster than the available supply, lowering the sales vacancy rate and putting upward pressure on home prices. Existing home sales (including single-family homes, townhomes, and condominiums; regular resale, real

estate owned [REO], and short sales) peaked from 2004 through 2007, averaging 9,900 homes sold annually (CoreLogic, Inc., with adjustments by the analyst) because of strong economic conditions and population growth. Sales declined by an average of 1,125 homes sold, or 15 percent, annually from 2008 through 2011 to a low of 4,800 homes sold during 2011 because of poor economic conditions and stricter lending standards. As the number of homes sold decreased, both the number and percentage of distressed sales (REO and short sales) increased substantially. Approximately 5 percent of all existing homes sold in 2007 were distressed, but by 2011 the percentage had increased to 17 percent. The home sales prices for REO and short sales averaged \$129,400 and \$191,300, respectively, in 2011, substantially less than the average price of \$224,700 for regular resales. Despite the increased number of distressed sales, existing sales prices remained steady throughout the housing crisis, increasing

from an average of \$207,800 during 2007 and 2008 to \$210,500 during the 2011-to-2012 period. This stability was caused by the average price of regular resales increasing despite the housing crisis, from \$216,700 in the former period to \$226,400 in the latter period, which counteracted higher numbers of lower-priced distressed sales. Regular resale prices were insulated from the national recession and housing crisis because of a stronger-than-average local labor market and population growth rate.

The volume of home sales began to recover in 2012 following the return of substantial job growth in 2011. Sales of existing homes increased by an average of 1,275, or 24 percent, during 2012 and 2013, then slowed to an increase of 550 homes, or 7 percent, from 2014 through 2016. Part of this slowdown in home sales growth was because the number of REO and short sales declined by an average of 17 percent annually from 2014 through 2016, as regular resales growth slowed from an average annual increase of 26 percent during 2012 and 2013 to 10 percent during 2014 through 2016. Despite the large increase in the number of sales during 2012 and 2013, existing home prices only increased from an average of \$210,500 during 2011 and 2012 to an average of \$216,400 during 2013 and 2014. The significant inventory of available homes, as well as the presence of large numbers of distressed properties, kept prices from appreciating. In 2015 and 2016, as the sales market balanced and competition among homebuyers increased, existing home prices increased an average of \$11,800, or 5 percent, compared with average increases of \$2,675, or 1 percent, during the 2012-to-2014 period. During the 12 months ending

February 2017, approximately 8,975 existing homes sold, an increase of 5 percent compared with the preceding 12-month period, and existing home prices increased 5 percent to \$239,300.

Foreclosures have had a declining effect on the HMA since 2011. As of February 2017, 2.0 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 2.4 percent in February 2016 and below the national rate of 2.6 percent (CoreLogic, Inc.). The current percentage of seriously delinquent loans and REO properties represents a significant improvement from a high of 5.0 percent in January 2012, when the national rate was 7.4 percent.

New home sales in the HMA have increased since the national recession but are below the peak levels of the mid-2000s. The number of new home sales averaged 2,975 during 2005 and 2006 then declined an average of 14 percent annually from 2007 through 2011 because of poor economic conditions, decreased access to credit, and increasing inventories of lower-priced existing homes. From 2012 through 2015, new home sales increased at an average annual rate of 10 percent to 1,900 in 2015, as excess inventory of existing homes was absorbed and prices for existing homes rose. New home prices peaked at an average of \$292,500 during 2007, then declined by an average of \$13,400, or 5 percent, annually, to a low of \$239,100 in 2011, as home builders reduced prices in response to falling demand. From 2012 through 2015, new home prices increased by an average of \$22,000, or 8 percent, annually, and in 2014, surpassed the prerecession high reached in 2007. During the 12 months ending February 2017, the number of new

Housing Market Trends

Sales Market *Continued*

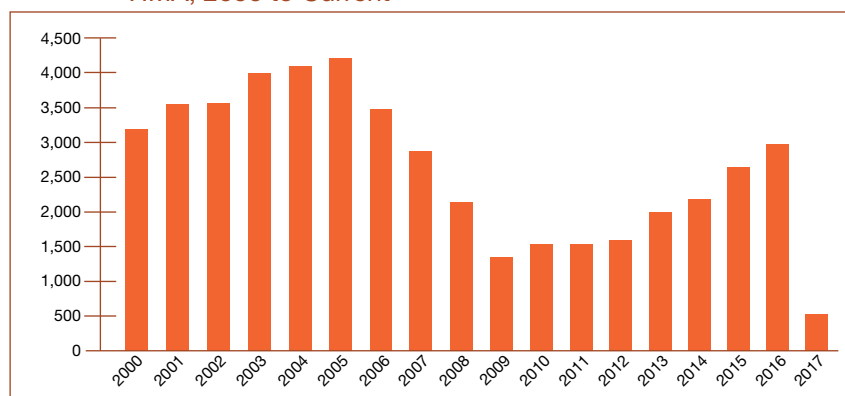
home sales decreased 3 percent to 1,875, and the average price of a new home decreased 2 percent to \$320,000.

Single-family home construction, as measured by the number of homes permitted, has increased since the end of 2011 but is below the historically high levels reached during the housing boom in the mid-2000s (Figure 7). Single-family homebuilding peaked from 2003 through 2005 at an average of 4,075 homes permitted annually, then declined by an average of 710 homes, or 25 percent, annually from 2006 through 2009, as demand for

new homes fell. After reaching a low of 1,500 homes permitted on average from 2009 through 2012, single-family home construction increased by an average of 340, or 17 percent, annually from 2013 through 2016 because of strengthening economic conditions and increased existing home sales. During the 12 months ending February 2017, this upward trend continued, with 3,000 homes permitted, an increase of 250, or 9 percent, compared with the preceding 12-month period. Brightleaf at the Park, a 2,150-lot planned community in the city of Durham, is one of the most active sites of new home construction in the HMA. Homes available in this community range from townhomes starting at \$190,000 to five-bedroom homes starting at \$360,000. Briar Chapel, in the city of Chapel Hill, is another large master-planned community that is expected to have 2,400 homes when built out after 2020. Approximately 1,300 lots remain in this community, with home prices ranging from \$230,000 to \$600,000.

During the 3-year forecast period, demand is expected for an estimated 8,750 new homes in the HMA (Table 1), with increasing demand during the second and third years of the forecast period. The 830 homes currently under construction and a portion of the 7,300 other vacant units that may reenter the sales market will satisfy some of the demand. Demand is expected to be greatest in the \$200,000-to-\$300,000 price range. Table 4 shows the estimated demand for market-rate sales housing, by price range.

Figure 7. Single-Family Homes Permitted in the Durham-Chapel Hill HMA, 2000 to Current



Notes: Includes townhomes. Includes data through February 2017.

Sources: U.S. Census Bureau, Building Permits Survey, 2000–2015 final data and estimates by analyst; 2016–2017 preliminary data and estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Durham-Chapel Hill HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	199,999	1,050	12.0
200,000	249,999	1,650	19.0
250,000	299,999	1,575	18.0
300,000	349,999	1,050	12.0
350,000	399,999	1,050	12.0
400,000	499,999	1,400	16.0
500,000	699,999	700	8.0
700,000	and higher	260	3.0

Notes: The 830 homes currently under construction and a portion of the estimated 7,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is March 1, 2017, to March 1, 2020.

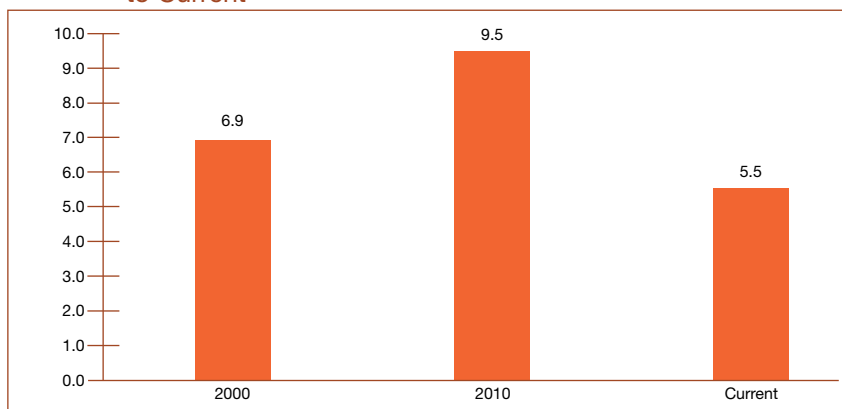
Source: Estimates by analyst

Rental Market

Rental housing market conditions in the Durham-Chapel Hill HMA are currently balanced, with strong rental household growth having contributed to absorption of vacant inventory since 2010. The overall rental vacancy rate is estimated at 5.5 percent, down from 9.5 percent in 2010 (Figure 8). The apartment market, which makes up approximately 60 percent of renter occupied units in the HMA, is also balanced, with an average vacancy rate of 6.6 percent during the first quarter of 2017, up from 5.6 percent a year earlier because of the completion of 1,100 units during the preceding 12-month period (MPF Research). During the first quarter of 2017, the average rent in the HMA increased 5 percent from the first quarter of 2016 to \$1,050, with average rents of \$927, \$1,079, and \$1,389 for one-, two-, and three-bedroom apartments, respectively. Rent growth was steady during 2013 and 2014, averaging 3 percent, but increased during 2015 and 2016, averaging 7 percent for both recently completed and existing complexes. During 2015 and 2016, rents increased at class A, B, and C properties by 7, 6, and 8 percent, respectively.

Apartment vacancy rates vary across the HMA, ranging from a low of 4.9 percent in the MPF Research-defined Southwest Durham market area to a high of 11.3 percent in the East Durham market area. Limited demand growth during 2016 and the opening of the 336-unit Villages at Ellis Crossing apartment complex during late 2016 caused the elevated vacancy rate in the East Durham market area. Rents are highest in the Northwest Durham/Downtown market area, at \$1,205 and the lowest in the East Durham Market area, at \$968. The Northwest Durham/Downtown market area contains Duke University and downtown Durham, which has seen a large amount of redevelopment in the past 10 years. University students living off-campus are estimated to comprise approximately 40 percent of renter households in Orange County, which contains UNC-Chapel Hill, and 10 percent in Durham County, which contains Duke University. The impact of students on the rental market of the HMA is not expected to change in the next 3 years, as neither Duke University or UNC-Chapel Hill plan to significantly expand enrollment or their on-campus housing.

Figure 8. Rental Vacancy Rates in the Durham-Chapel Hill HMA, 2000 to Current

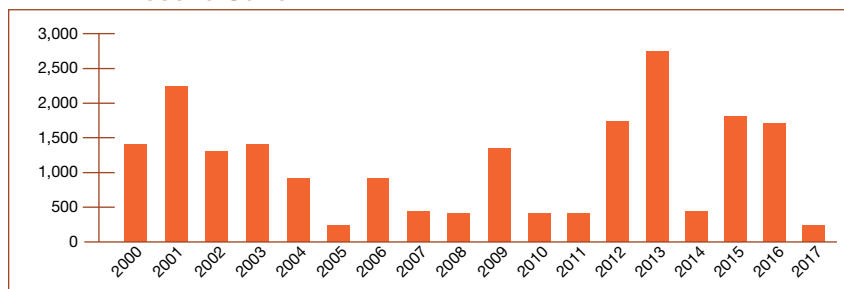


Note: The current date is March 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Builders have responded to low vacancy rates and consistent rent growth by increasing rental production since 2012. From 2007 through 2011, multifamily production was very low, averaging 580 units permitted annually, including 4 of the 5 lowest permitting years since 2000 (Figure 9). However, multifamily construction quickly increased during 2012 because of improved economic conditions and burgeoning demand for rental units. From 2012 through 2016, an average of 1,675 multifamily units were permitted

Figure 9. Multifamily Units Permitted in the Durham-Chapel Hill HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through February 2017.

Sources: U.S. Census Bureau, Building Permits Survey, 2000–2015 final data and estimates by analyst; 2016–2017 preliminary data and estimates by analyst

annually, including 4 of the 5 highest permitting years since 2000. During the 12 months ending February 2017, the number of multifamily units permitted decreased by 1,450 units, or 60 percent, to 980 units, as the historically large number of units under construction caused developers to slow production. Since 2010, approximately 3 percent of multifamily construction has consisted of condominiums, down from 8 percent from 2000 through 2009.

Apartment construction is concentrated in the cities of Durham and Chapel Hill. Completion for the 154-unit 1701 North Apartments in Chapel Hill is expected in late 2017. Rents start at \$975, \$1,575, and \$2,325 for one-, two-, and three-bedroom units, respectively, and students at UNC-Chapel Hill are expected to make up a significant portion of tenants. The 288-unit 54 Station Apartment Homes is currently under construction near the RTP in the city of Durham. When construction is complete in the summer of

2017, one- and two-bedroom units will be available starting at \$1,045 and \$1,300, respectively. The partially completed 246-unit Liberty Warehouse Apartments in downtown Durham incorporates the façade of the historic tobacco warehouse it is replacing. Rents start at \$1,185 and \$2,000 for one- and two-bedroom units, respectively. In addition to apartments, three condominium buildings with 87 units are currently under construction.

During the 3-year forecast period, demand is expected for 5,075 new market-rate rental units in the HMA, with decreasing demand during the second and third years of the forecast period, as an increasing number of households are expected to become homeowners (Table 1). The 2,225 units currently under construction will meet a portion of that demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Durham-Chapel Hill HMA During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
925 to 1,124	800	1,125 to 1,324	570	1,275 to 1,474	180
1,125 to 1,324	800	1,325 to 1,524	800	1,475 to 1,674	130
1,325 to 1,524	460	1,525 to 1,724	570	1,675 to 1,874	130
1,525 to 1,724	110	1,725 to 1,924	230	1,875 to 2,074	40
1,725 or more	110	1,925 or more	110	2,075 to 2,274	20
				2,275 or more	15
Total	2,275	Total	2,275	Total	510

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 2,225 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2017, to March 1, 2020.

Source: Estimates by analyst

Data Profile

Table DP-1. Durham-Chapel Hill HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	226,049	241,362	277,000	0.7	2.3
Unemployment rate	2.9%	8.1%	4.5%		
Nonfarm payroll jobs	255,200	270,700	304,200	0.6	1.9
Total population	426,493	504,357	565,400	1.7	1.7
Total households	168,704	202,476	227,750	1.8	1.7
Owner households	100,459	121,650	131,200	1.9	1.1
Percent owner	59.5%	60.1%	57.6%		
Renter households	68,245	80,826	96,550	1.7	2.6
Percent renter	40.5%	39.9%	42.4%		
Total housing units	181,603	222,760	242,700	2.1	1.2
Owner vacancy rate	1.9%	2.6%	1.5%		
Rental vacancy rate	6.9%	9.5%	5.5%		
Median Family Income	NA	\$65,500	\$67,400	NA	0.5

NA = data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through February 2017. Median Family Incomes are for 1999, 2009, and 2015. The current date is March 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 3/1/2017—Estimates by the analyst
 Forecast period: 3/1/2017–3/1/2020—Estimates
 by the analyst

The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Durham_ChapelHillNC_17.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.