

COMPREHENSIVE HOUSING MARKET ANALYSIS

Raleigh, North Carolina

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

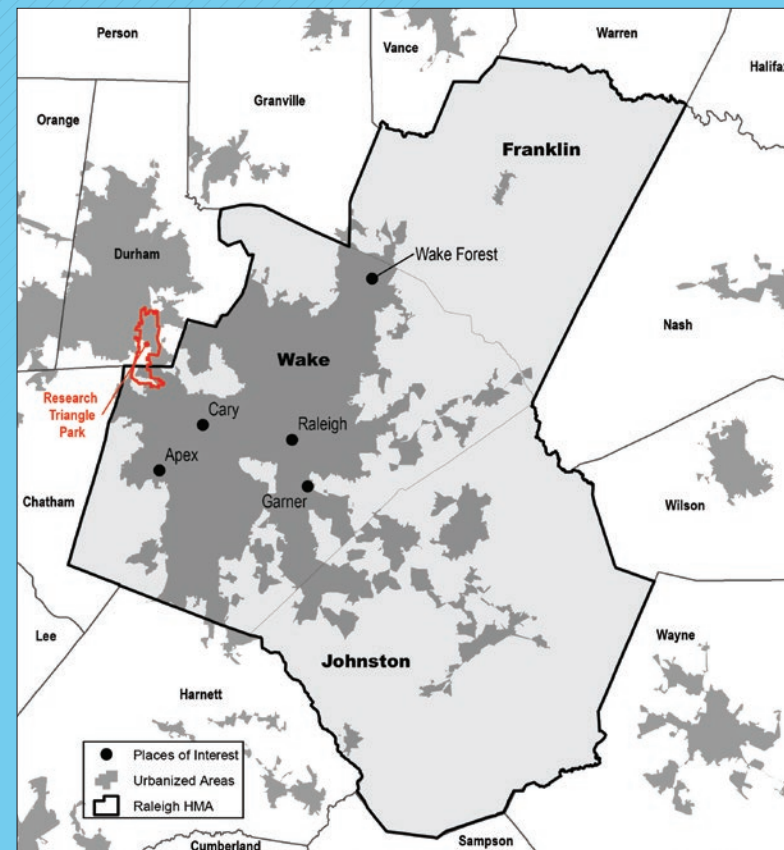
As of March 1, 2019



Executive Summary

Housing Market Area Description

The Raleigh Housing Market Area (HMA) includes Franklin, Johnston, and Wake Counties in central North Carolina and is coterminous with the Raleigh, NC Metropolitan Statistical Area (MSA). The HMA and the nearby cities of Durham and Chapel Hill are often referred to as the “Research Triangle” because of the presence of large research universities in each city. The city of Raleigh, in Wake County, is the state capital and economic base of the HMA.



Tools and Resources

Find interim updates for this metropolitan area, and selected geographies nationally, at PD&R's Market-at-a-Glance [tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



Market Qualifiers

Economy



Strong. Nonfarm payrolls increased 2.2 percent during the 12 months ending February 2019.

The economy has expanded strongly since 2011, with nonfarm payrolls increasing by an average of 3.2 percent, annually, from 2012 through 2017. By comparison, job growth for the nation averaged 1.8 percent during the same time period. During the 12 months ending February 2019, nonfarm payrolls increased by 13,900 jobs to 634,100 jobs, compared with the 12 months ending February 2018, while the unemployment rate decreased from 3.8 to 3.4 percent. Job growth is expected to remain strong at an average annual rate of 2.5 percent during the 3-year forecast period.

Sales Market



Slightly Tight. There has been less than 3 months of housing supply since 2016, causing existing home prices to increase by an average of 6 percent annually from 2016 through 2018.

The sales housing market is slightly tight, with an overall estimated sales vacancy rate of 1.2 percent, down from 2.5 percent in April 2010. During the 12 months ending February 2019, existing home sales totaled 25,100, down 2 percent from the 12 months ending February 2018, and the average sales price increased 5 percent to \$280,600 (CoreLogic, Inc., with adjustments by the analyst). New home sales increased 6 percent to 8,675, and the average price was up 3 percent to \$372,400. During the next 3 years, demand is expected for 28,300 new homes. The 3,000 homes under construction are expected to meet a portion of demand.

Rental Market



Balanced. The apartment vacancy rate declined from 5.8 to 5.3 percent during the fourth quarter of 2018, compared with the fourth quarter of 2017.

Rental housing market conditions in the HMA are currently balanced, with an overall estimated vacancy rate of 5.5 percent, down from 8.6 percent in April 2010. The apartment market is also balanced, with an average vacancy rate of 5.3 percent during the fourth quarter of 2018. Average apartment rents increased 4 percent from the fourth quarter of 2017 to the fourth quarter of 2018. Rent growth has slowed, averaging 3 percent annually during 2017 and 2018, compared with an average of 6 percent annually during 2015 and 2016. During the forecast period, demand is estimated for 11,850 new market-rate apartment units. The 7,750 units under construction will satisfy a portion of this demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Raleigh HMA		
Total Demand	28,300	11,850
Under Construction	3,000	7,750

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, 2019. The forecast period is March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst



Economic Conditions

Largest sector: Professional and Business Services

Job growth in the HMA has outpaced the national average since 2012.

Primary Local Economic Factors

The foundation of the Raleigh HMA economy is a highly educated workforce. The percentage of adults in the HMA with bachelor's degrees or higher is 46.2 percent, well above the 32.0-percent rate for the nation and the seventh highest figure of the 100 largest MSAs in the nation (2017 American Community Survey, 1-year data). North Carolina State University (NCSU) is the largest university in North Carolina with an enrollment of 31,000 students. NCSU is in Raleigh and is one of the largest employers in the HMA; Duke University and the University of North Carolina-Chapel Hill are in the adjacent Durham-Chapel Hill, NC MSA.

Current Conditions—Nonfarm Payrolls

Economic conditions in the HMA have improved each year since 2011 and are currently strong, however, the rate of job growth slowed during the past year. During the 12 months ending February 2019, nonfarm payrolls increased by 13,900 jobs, or 2.2 percent, to 634,100 jobs down from a gain of 17,600 jobs, or 2.9 percent, during the 12 months ending February 2018 (Table 1). Every economic sector expanded during the 12 months ending February 2019, with the professional and business services; education and health services; and mining, logging, and construction sectors leading payroll growth. The professional and business services sector added 3,400 jobs, or 3.0 percent,

with all of the sectors' growth occurring in the professional, scientific, and technical services industry, which expanded by 3,500 jobs, or 6.1 percent. Conduent Inc., a company spun-off from Xerox in 2017, opened a new research and development facility in 2018 and hired 200 additional employees.

Table 1. 12-Month Average Nonfarm Payroll Jobs in the Raleigh HMA, by Sector

	12 Months Ending February 2018	12 Months Ending February 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	620.2	634.1	13.9	2.2
Goods-Producing Sectors	73.4	76.3	2.9	4.0
Mining, Logging, & Construction	38.2	40.2	2.0	5.2
Manufacturing	35.1	36.1	0.9	2.7
Service-Providing Sectors	546.9	557.9	11.0	2.0
Wholesale & Retail Trade	96.5	97.2	0.6	0.7
Transportation & Utilities	13.4	14.1	0.7	5.2
Information	21.7	22.1	0.4	2.0
Financial Activities	31.9	33.1	1.2	3.8
Professional & Business Services	115.8	119.2	3.4	3.0
Education & Health Services	76.3	78.5	2.2	2.9
Leisure & Hospitality	70.1	70.8	0.7	1.0
Other Services	24.2	24.7	0.5	1.9
Government	97.0	98.2	1.3	1.3

Notes: Based on 12-month averages through February 2018 and February 2019. Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



Economic Periods of Significance

2000 through 2010

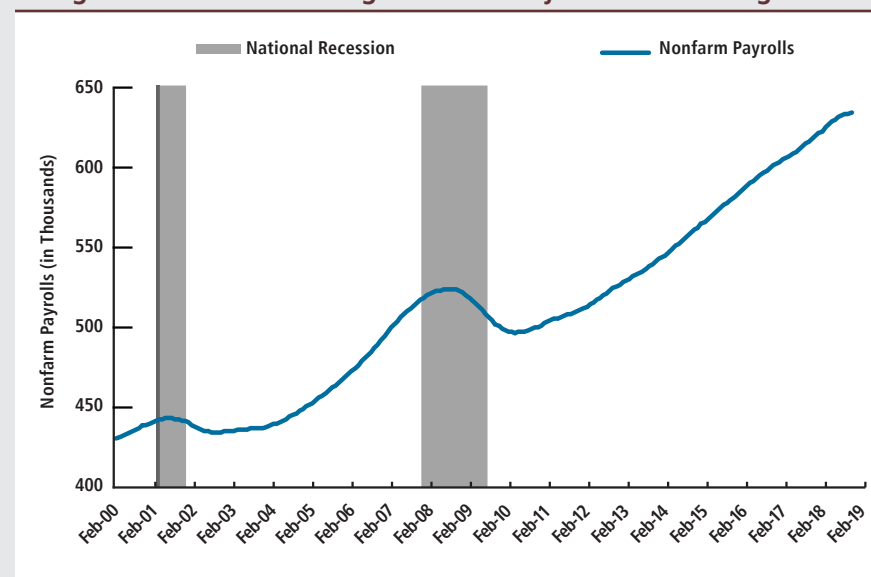
The Raleigh HMA entered the 21st century with sluggish economic growth following the collapse of the dot-com bubble; nonfarm payrolls decreased by an average of 0.2 percent, annually, from 2001 through 2003. The local economy began to grow rapidly, however, as the national economy improved, with nonfarm payroll growth averaging 4.3 percent a year from 2004 through 2007. During this period, the professional and business services and government sectors led growth, adding 4,500 and 3,200 jobs, or 5.7 and 3.8 percent, respectively. Economic growth during the period supported high levels of net in-migration, which caused further economic growth through increased residential construction and tax revenues. Nonfarm payroll growth slowed to 1.1 percent during 2008 and then fell by an average of 11,100 jobs, or 2.1 percent, a year during 2009 and 2010 as the nation entered a recession and residential permitting sharply declined (Figure 1). Job losses in the HMA were less severe than they were nationally, where nonfarm payrolls declined by an average of 2.5 percent during 2009 and 2010. Approximately 43 percent of the job losses in the HMA during 2009 and 2010 occurred in the mining, logging, and construction sector, even though the sector accounted for only 7 percent of all payrolls in 2008. By comparison, 25 percent of national job losses during this period occurred in the mining, logging, and construction sector.

2011 through 2017

The HMA added 9,500 jobs in 2011, or 1.9 percent, a rate which accelerated to an average increase of 17,900 jobs, or 3.2 percent, from 2012 through 2017. By comparison, national payroll growth averaged 1.8 percent from 2012 through

2017. Payroll growth in the HMA during this period was broad-based, with all economic sectors except the government sector growing at least 1 percent annually. The professional and business services, wholesale and retail trade, and leisure and hospitality sectors led job growth from 2012 through 2017, adding an average of 4,000, 2,800, and 2,800 jobs annually, or 3.9, 3.3, and 4.6 percent, respectively.

Figure 1. 12-Month Average Nonfarm Payrolls in the Raleigh HMA



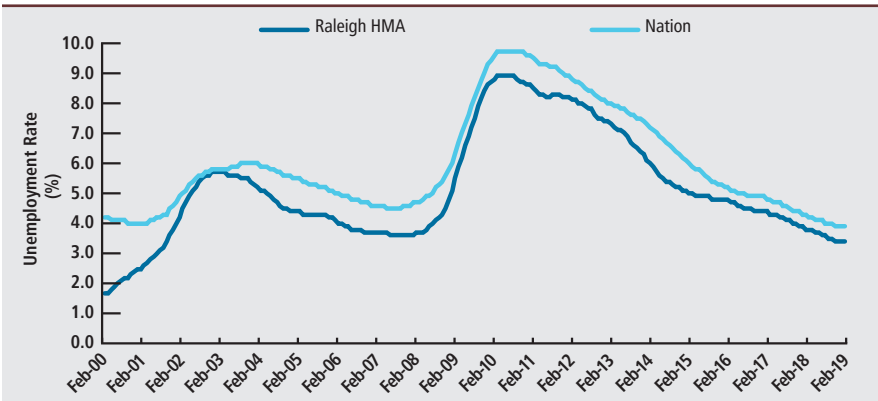
Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Current Conditions—Unemployment

The unemployment rate in the HMA has been lower than that of the nation since 2000 and has declined significantly since the early 2010s (Figure 2). Due in large part to the job losses during the past recession, the unemployment rate in the HMA averaged 8.3 percent in 2009 and 2010, more than double the previous low of 3.6 percent in 2007, while the national unemployment rate peaked at 9.7 percent in 2009. The unemployment rate in the HMA has declined each year since 2011 and averaged 3.4 percent during the 12 months ending February 2019, down from 3.8 percent in the previous 12 months. By comparison, the national rate was 3.9 percent during the most recent 12 months, down from 4.3 percent during the 12 months ending February 2018.

Figure 2. 12-Month Average Unemployment Rate in the Raleigh HMA and Nation



Source: U.S. Bureau of Labor Statistics

Industries and Sectors of Significance

Academic and Corporate Collaboration

The economy of the HMA benefits significantly from synergy and collaboration between educational institutions like NCSU and businesses. NCSU is one of the largest employers in the HMA, with employment increasing by 300 since

2016; with an annual economic impact of \$3.3 billion in Wake County as of 2016 (Economic Modeling Specialists). NCSU’s presence in the HMA also contributes indirectly to job growth through the founding of companies like SAS Institute Inc., which began as a research project at the university and currently employs 5,625 people in the HMA. 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 west of the city of Raleigh and located in both the Raleigh HMA and the neighboring Durham-Chapel Hill MSA, is home to more than 200 organizations that employ a combined 50,000 people. Major tenants include International Business Machines (IBM) Corporation, the largest private employer in the HMA with 10,000 employees (Table 2). Cisco Systems, Inc. and GlaxoSmithKline plc, with approximately 5,000 and 3,000 employees, respectively, also maintain locations at RTP. CreditSuisse, an investment bank and financial services company, is building a \$71 million campus expansion at RTP that is expected to expand their local employment from 1,500 to 2,700 by 2027.

Table 2. Major Employers in the Raleigh HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of North Carolina	Government	36,800
International Business Machines Corporation (IBM)	Information	10,000
WakeMed Health and Hospitals	Education & Health Services	9,100
North Carolina State University	Government	9,075
Rex Healthcare	Education & Health Services	7,400
SAS Institute Inc.	Information	5,625
Cisco Systems, Inc.	Information	5,000
Fidelity Investments	Financial Activities	3,700
Conduent Inc.	Professional & Business Services	3,300
GlaxoSmithKline plc.	Education & Health Services	3,000

Notes: Excludes local school districts and governments. Includes firms located in the Research Triangle Park.
Source: Raleigh Chamber of Commerce

Professional and Business Services

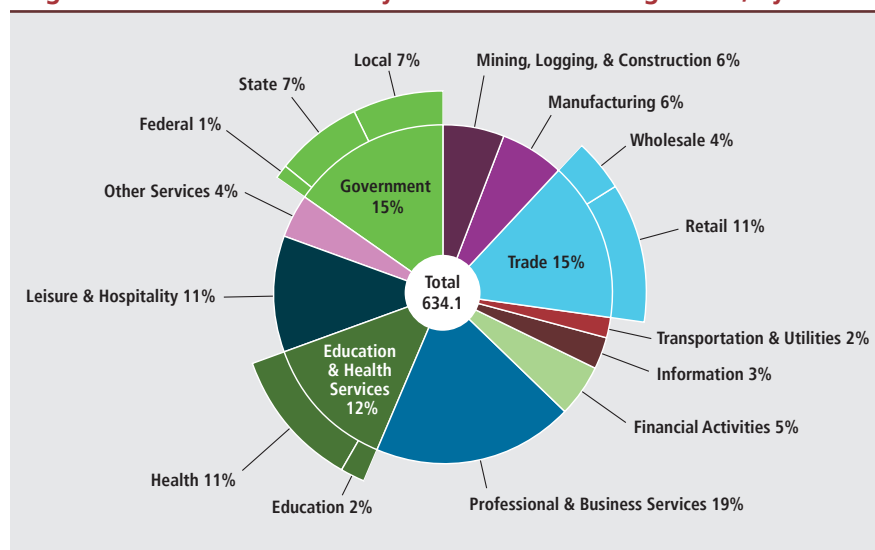
The professional and business services sector is the largest economic sector in the HMA comprising 19 percent of all nonfarm jobs (Figure 3), 5 percentage points more than the national average. After declining by an average of 3,600 jobs, or 4.1 percent, during 2008 and 2009, the sector increased by an average of 4,000 jobs, or 4.2 percent, annually from 2010 through 2017. Approximately 58 percent of the job growth since 2010 has occurred in the professional, scientific, and technical services industries, which includes contract research organizations (CROs), companies that conduct and analyze clinical trials for pharmaceutical manufacturers. The HMA and the adjacent Durham-Chapel Hill, NC MSA have the largest concentration of CROs in the nation. Syneos Health and PRA Health Sciences, 2 of the 10 largest CROs in the world, are

headquartered in the HMA and have approximately 1,500 and 900 employees respectively. Additionally, Pharmaceutical Product Development, LLC has approximately 2,000 employees in the HMA. All three of these firms have expanded since 2016, adding approximately 500, 400, and 500 employees respectively.

Education and Health Services

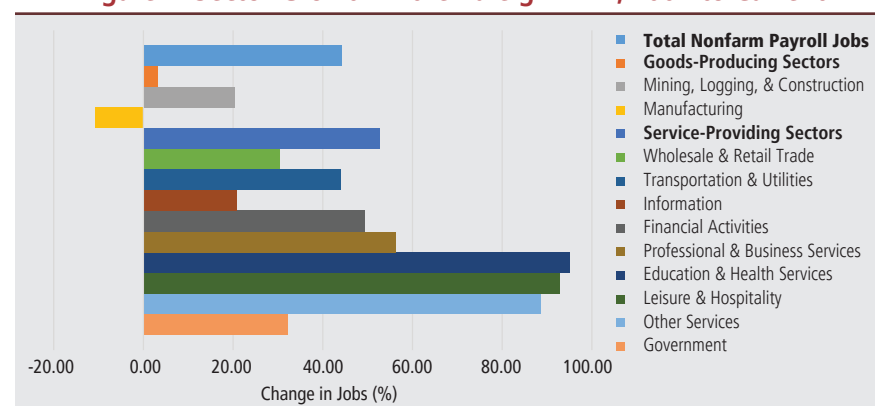
The education and health services sector has been the fastest growing sector in the HMA since 2001 (Figure 4) and is currently the fourth largest economic sector. Job growth in the sector has been very consistent, with payroll increases every year since 2000. During the 12 months ending February 2019, the payrolls in the sector averaged 78,500 jobs, an increase of 2,200 jobs, or 2.9 percent, from the previous 12 months. WakeMed Health and Hospitals, the largest employer in this sector, contributed to recent job growth, adding approximately 700 jobs from 2016 to 2019. Rex Healthcare, the second largest employer in the sector, added 2,100 jobs during the period.

Figure 3. Current Nonfarm Payroll Jobs in the Raleigh HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. The current period is the 12-month average ending February 2019.
Source: U.S. Bureau of Labor Statistics

Figure 4. Sector Growth in the Raleigh HMA, 2001 to Current



Note: The current period is the 12-month average ending February 2019.
Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth is expected to remain strong at an average of 16,250 jobs, or 2.5 percent, annually. Numerous firms plan to expand in the HMA during the next 3 years with notable growth expected in the professional and business services, information, financial activities, and retail trade sectors. MetLife, Inc., an insurance company, is building a new office tower in the city of Cary. When complete in early 2019, the company expects to expand its local workforce by 500. Advance Auto Parts Inc., an automotive parts retailer, relocated its headquarters to Raleigh in 2018 because of the ease of finding highly skilled workers and it plans to add approximately 435 jobs

in the HMA by 2024. Pendo, a cloud computing company founded in Raleigh, is building a new headquarters that is expected to expand their local workforce from 170 to 760 by 2023. Infosys Limited, an Indian-based technology firm which currently employs 500 in the HMA, opened a new hub in the city of Raleigh in 2018 and expects to expand employment to 2,000 during the next several years. Job growth is also expected to continue in the education and health services sector during the forecast period with WakeMed currently building a \$60 million expansion of their Cary hospital that is expected to open in 2020. Additionally, Rex Healthcare is currently building a new, 50-bed hospital in the city of Holly Springs that is anticipated to be complete in 2021.



Population and Households

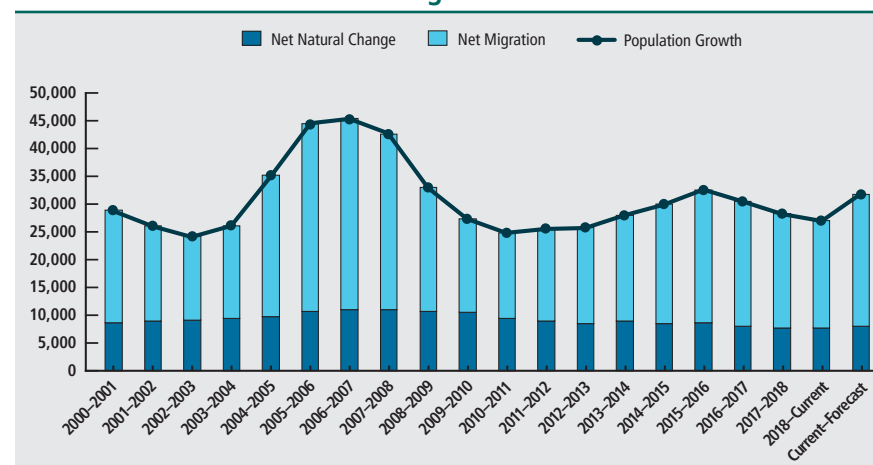
Current population: 1.38 million

Since 2000, Raleigh has been the fourth fastest growing of the nation's 100 most populous metropolitan areas, increasing by an average of 28,100 people, or 2.3 percent, annually.

Population Trends

The Raleigh HMA was the fourth fastest-growing MSA in the nation during the 2000-to-2010 period, adding 33,350 people, or 3.6 percent, annually, primarily because of strong job growth during the middle of the decade. Population growth peaked at an average of 44,150 people, or 4.5 percent, annually from 2005 to 2008 (Census Bureau population estimates as of July 1). Population growth slowed to 32,900, or 3.1 percent, a year from 2008 to 2009 as the HMA lost jobs. Despite job growth during much of the period, population growth averaged only 25,800 people, or 2.2 percent, annually in the HMA from 2009 to 2013 due in part to the impact of the national housing crisis, which made it difficult for potential residents to sell their existing homes and relocate to the HMA. Decreased net in-migration was the cause of most of the slowdown in population growth in the HMA during the late 2000s and early 2010s. Net in-migration averaged 33,350 people, or 76 percent of population growth, during the 2005-to-2008 period but only 16,500, or 64 percent, of population growth from 2009 to 2013 (Figure 5). As labor and housing markets have recovered throughout much of the nation, population growth in the HMA increased after 2012. As of March 1, 2019, the population of the HMA is estimated at 1.38 million people, an estimated average increase of 29,500 people, or 2.3 percent, annually since 2013 (Table 3). During the period, net in-migration accounted for 72 percent of population growth. Net natural change (resident births minus resident deaths) declined by a relatively small amount, averaging 8,225 people from 2013 to 2019 compared with 10,800 people from 2005 to 2008.

Figure 5. Components of Population Change in the Raleigh HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The current period is the 12-month average ending February 2019. The forecast date is March 1, 2022. Sources: U.S. Census Bureau, Bureau of Labor and Statistics; current to forecast—estimates by the analyst

Table 3. Raleigh HMA Population and Household Quick Facts

	2010	Current	Forecast
Population Quick Facts	Population	1,130,490	1,380,000
	Average Annual Change	33,350	28,050
	Percentage Change	3.6	2.2
Household Quick Facts	Households	430,577	527,900
	Average Annual Change	12,400	10,900
	Percentage Change	3.5	2.3

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The current date is March 1, 2019. The forecast date is March 1, 2022. Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Migration and Commuting Trends

From 2013 to 2018, domestic in-migration has constituted approximately 80 percent of total net in-migration to the HMA. Migrants are drawn to the HMA because of its strong job market, temperate climate, and relatively affordable housing. The largest sources of net in-migration are northern metropolitan areas as well as non-metropolitan rural areas, while the most significant destinations for net-out migration are metropolitan areas elsewhere in the South (2012–2016 American Community Survey, 5-year data). Of the net in-migration that is international in origin, the largest source is Asia, which accounts for approximately 41 percent of all international migrants.

Both the population and the economy of the HMA are closely tied to the adjacent Durham-Chapel Hill metropolitan area, which is both the largest source of migrants to the area, as well as the most popular destination for emigrants from the area (Table 4). Approximately 65,150 residents of the HMA commute to jobs in the Durham-Chapel Hill area, while 33,300 residents of the Durham-Chapel Hill area commute to the HMA (2011–2015 American Community Survey, most recent data available).

Table 4. Metro-to-Metro Migration Flows in the Raleigh HMA, 2012–2016

Into the HMA	Durham-Chapel Hill, NC	6,243
	New York-Newark-Jersey City, NY-NJ-PA	4,498
	Charlotte-Concord-Gastonia, NC-SC	3,704
	Washington-Arlington-Alexandria, DC-VA-MD-WV	2,130
	Greensboro-High Point, NC	2,001
Out of the HMA	Durham-Chapel Hill, NC	7,467
	Charlotte-Concord-Gastonia, NC-SC	3,379
	Greenville, NC	1,870
	Wilmington, NC	1,771
	Atlanta-Sandy Springs-Roswell, GA	1,765

Sources: U.S. Census Metro-to-Metro Migration Flows; 2012–2016 American Community Survey, 5-year data

Population by Geography

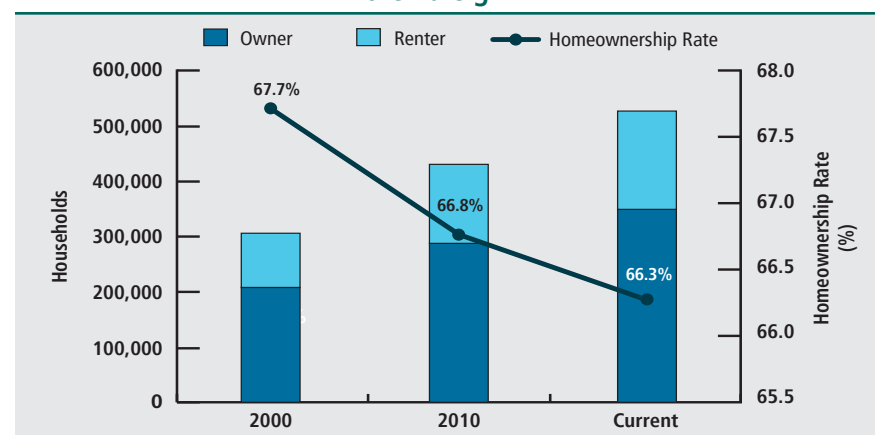
Approximately 80 percent of the HMA population resides in Wake County, with about 35 percent in the city of Raleigh alone, while approximately 5 and 15 percent of the population reside in Franklin and Johnston Counties, respectively.

Population growth in the HMA has consistently shifted away from Wake County and into Franklin and Johnston Counties since the early 2010s due in part to rising housing costs in Wake County. From 2010 to 2013, Johnston and Franklin Counties accounted for 10 and 2 percent of population growth in the HMA, while from 2015 to 2018, they accounted for 19 and 4 percent, respectively. During the same time periods, the percentage of population growth that occurred in Wake County declined from 88 to 76 percent.

Household Trends

As of March 2019, the number of households in the HMA is estimated at 527,900, an increase of 10,900 households, or 2.3 percent, annually since 2010. By comparison, household growth averaged 12,400, or 3.5 percent, annually from 2000 to 2010. Household growth has declined since 2010, primarily because of slower population growth. The homeownership rate is currently estimated at 66.3 percent, down from 66.8 percent in 2010 (Figure 7) because of a weak labor market and a tight credit market during the first years of the decade. The homeownership rate in the HMA was more stable than the nation-at-large, however, where homeownership decreased from 65.4 percent in 2010, to 63.9 percent in 2017 (2017 American Community Survey, 1-year data).

Figure 7. Households by Tenure and Homeownership Rate in the Raleigh HMA



Note: The current date is March 1, 2019.

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

Robust demand for owner-occupied housing and strong growth in single-family home production in the HMA have contributed to the higher than average homeownership rate.

Forecast

During the next 3 years, the population of the Raleigh HMA is expected to increase by an average of 31,750, or 2.3 percent, a year, to 1.48 million,

similar to the population growth in the 2013-to-current period, as continued economic growth attracts migrants to the HMA. Net in-migration is expected to account for approximately 75 percent of population growth. The number of households is expected to reach 564,600 by the end of the third year of the forecast period with average growth during the next 3 years expected to mirror the population growth rate at 12,250, or 2.3 percent, annually.



Home Sales Market Conditions

Market Conditions: Slightly tight

Average home prices (new and existing) increased at an average rate of 6 percent from 2016 through 2018.

Current Conditions

The sales housing market in the Raleigh HMA is currently slightly tight, with robust demand and a limited inventory of available for-sale homes, contributing to rising home prices. As of March 1, 2019, the overall sales vacancy rate is estimated at 1.2 percent, down from 2.5 percent in 2010 (Table 5). The HMA has had less than 3 months of available for-sale inventory since 2016. During February 2019, the HMA had 4,325 existing single-family homes, condominiums, and townhomes for sale, representing 2.3 months of supply, up from 4,025 homes for sale, or a 2.0-months' supply, during February 2018, but well below the 9,475 homes for sale, or 7.9 months of supply, during February 2010. The HMA has a lower supply of available homes than the nation-at-large, which had 3.0 months of supply during February 2019, up from 2.9-months' supply during February 2018.

Table 5. Home Sales Quick Facts in the Raleigh HMA

	Raleigh HMA	Nation
Vacancy Rate	1.2%	NA
Months of Inventory	2.3	3
Total Home Sales	33,800	5,774,000
1-Year Change	-0.3%	-6.0%
Average New Home Sales Price	\$372,400	\$378,900
1-Year Change	3%	1%
Average Existing Home Sales Price	\$280,600	\$295,100
1-Year Change	5%	4%
Mortgage Delinquency Rate	1.1%	1.6%

NA = data not available.

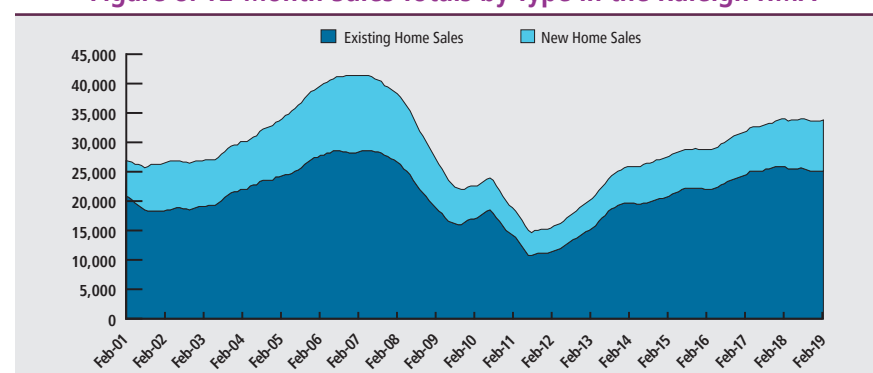
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending February 2019; and months of inventory and mortgage delinquency data are as of February 2019. Months of inventory are for existing homes. The current date is March 1, 2019.

Source: CoreLogic, Inc., with adjustments by the analyst

Existing Home Trends

Low levels of available inventory have contributed to declining numbers of existing home sales, but rising prices in the HMA. Existing home sales (including regular resale and real estate owned [REO] home sales) totaled 25,150 in the HMA during the 12 months ending February 2019, down 2 percent from the previous 12-month period, while the average sales price for an existing home increased 5 percent to \$280,600. (CoreLogic, Inc., with adjustments by the analyst). Strong economic conditions and population growth contributed to a peak of 26,700 existing homes (including single-family homes, townhomes, and condominiums) sold, on average, each year from 2004 through 2007. Existing home sales subsequently declined by an average of 3,900 homes sold, or 20 percent, annually from 2008 through 2011, to a low of 11,300 homes sold during 2011 because of poor economic conditions and stricter lending standards (Figure 8). As the number of homes sold decreased, both the number and percentage of distressed sales (REO and short sales) increased substantially. Less than 5 percent of all existing homes sold in 2007 were distressed but by 2011, the percentage had increased to 20 percent. The prices for REO and short sales averaged \$148,600 and \$195,700, respectively in 2011, substantially less than the \$217,700 price for conventional resales. Poor economic conditions and increased REO sales caused existing home sales prices to decrease from an average of \$223,700 during the 2007-through-2008 period, to \$207,100 from 2009 through 2011.

Figure 8. 12-Month Sales Totals by Type in the Raleigh HMA



Notes: Existing home sales includes regular resale and real estate owned home sales. Existing homes includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

The sales market began to recover in 2012, following the return of job growth in 2011. Sales of existing homes increased by an average of 4,175, or 32 percent, during 2012 and 2013. Existing home sales growth slowed in 2014, averaging increases of 1,525, or 7 percent, each year from 2014 through 2017. The slowdown in growth was largely attributable to decreases in the number of REO and short sales, which declined by averages of 27 and 42 percent annually during the period, while conventional resales increased by an average of 2,150, or 11 percent, annually. Increased competition among buyers for existing homes has put upward pressure on sales prices since the early 2010s. From 2012 through 2015, the average sales price of an existing home increased 3 percent annually. That rate doubled to 6 percent annually from 2016 through 2017 as the inventory of available homes decreased to less than 3 months of supply. Distressed sales no longer comprise a significant portion of the sales market, accounting for less than 2 percent of all existing home sales during the 12 months ending February 2019.

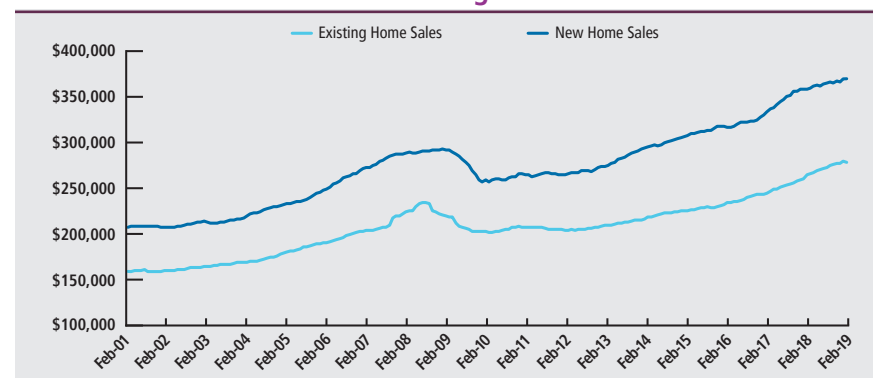
New Home Trends

The low supply and rapid price growth of existing homes have contributed to increased demand for new homes, and the number of new homes sold in the HMA has continued to increase as the number of existing home sales have stabilized. Approximately 8,675 new homes sold in the HMA during the 12 months ending February 2019, up 6 percent from the previous 12 months. New home sales increased rapidly following the national recession, rising by an average of 22 percent annually during 2012 and 2013, before slowing to an average annual growth rate of 7 percent from 2014 through 2017. Although new home sales have risen sharply since 2012, sales volume is well below the peak levels of the mid-2000s. The number of new homes sold averaged 12,350 during 2005 and 2006 but declined an average of 20 percent annually from 2007 through 2011 to a low of 4,100 in 2011 because of poor economic conditions, decreased access to credit, and increasing inventories of lower priced existing homes.

New home prices have increased along with sales volumes, as new homebuyers have demanded larger and higher quality homes and rising construction levels have caused the cost of land, labor, and construction materials to rise. During the 12 months ending February 2019, the average sales price of a new home increased 3 percent to \$372,400, following average annual increases of 5 percent from 2012 through 2017 (Figure 9). New home sales prices averaged \$292,300 during 2007

and 2008 but declined to an average low of \$264,900 from 2009 through 2011 as home builders reduced prices in response to falling demand. Increased home sizes have contributed to recent price increases; the average size of a new home in the HMA was 2,650 square feet from 2016 through 2018, compared with 2,450 square feet from 2009 through 2011 (Metrostudy, A Hanley Wood Company). New home sales account for about 28 percent of home sales between \$150,000 and \$400,000 but over 40 percent of home sales between \$400,000 and \$550,000 (Figure 10).

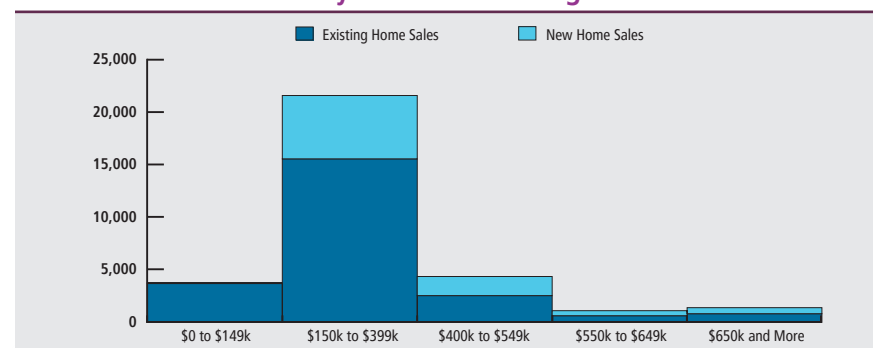
Figure 9. 12-Month Average Sales Prices by Type of Sale in the Raleigh HMA



Notes: Existing home sales includes regular resale and real estate owned home sales. Existing homes includes single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

Figure 10. Home Sales by Price Range During the 12 Months Ending February 2019 in the Raleigh HMA



Source: Metrostudy, A Hanley Wood Company

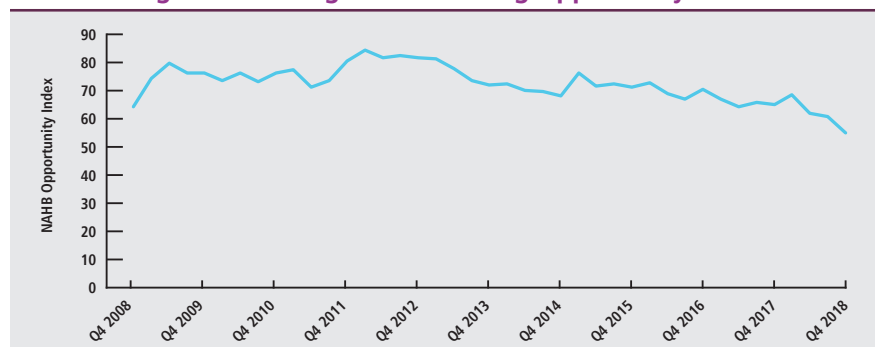
Delinquent Mortgages

Foreclosures no longer significantly affect existing home prices within the HMA. As of February 2019, 1.1 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 1.3 percent in February 2018 and below the national rate of 1.6 percent (CoreLogic, Inc.). In January 2012, the rate of seriously delinquent mortgages and REO properties in the HMA peaked at 4.6 percent, remaining well below the national rate, which was 7.3 percent during the same time period.

Housing Affordability

Home prices in the Raleigh HMA have increased faster than income, causing homeownership to become less affordable for the median family. The National Association of Home Builders' (NAHB)/Wells Fargo Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 55.2 during the fourth quarter of 2018, down from 65.1 a year ago. During the fourth quarter of 2018, 159 of the 237 metropolitan areas measured had greater housing affordability than the Raleigh HMA (Figure 11). By comparison, during the fourth quarter of 2012 the HOI was 81.9 and only 125 metropolitan areas had greater housing affordability than the HMA. Since the fourth quarter of 2012, median home prices have increased 44 percent while median household incomes have only increased 6 percent.

Figure 11. Raleigh HMA Housing Opportunity Index



NAHB = National Association of Home Builders.

Q4 = fourth quarter.

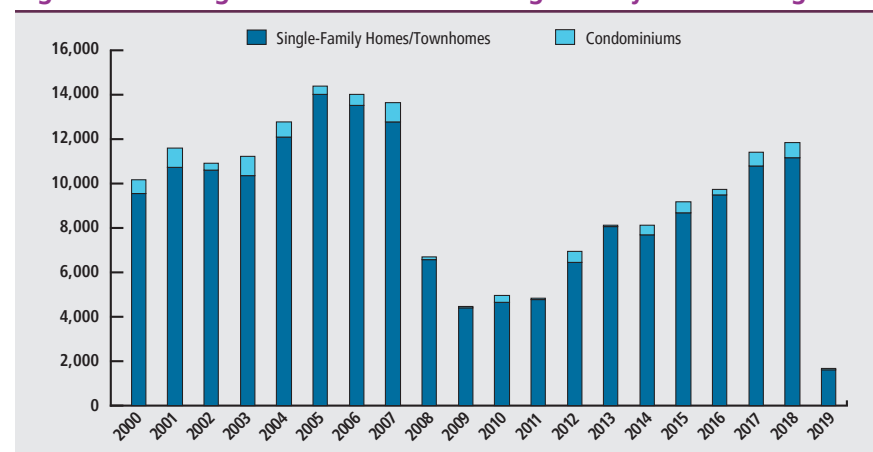
Source: NAHB/Wells Fargo

Sales Construction Activity

Homebuilding, as measured by the number of single-family homes, townhomes, and condominium units permitted, has generally trended upward in the HMA since the end of 2011 but is below the historically high levels reached during the housing boom in the mid-2000s. Homebuilding peaked from 2005 through 2007 at an average of 14,000 homes permitted annually, then declined by an average of 4,625 homes, or 43 percent, annually, during 2008 and 2009 as demand for new homes fell (Figure 12). After reaching a low of 4,725 homes permitted on average from 2009 through 2011, for-sale home construction increased by an average of 1,650, or 30 percent, annually during 2012 and 2013 because of strengthening economic conditions and increasing prices for existing homes. Construction levels remained relatively stable, averaging 8,125 homes built annually, during 2013 and 2014, then increased to an average of 10,100 homes a year from 2015 through 2017. During the 12 months ending February 2019, 11,050 homes were permitted, down by 680 homes, or 6 percent compared with the previous 12-month period.

Most new home construction in the HMA is occurring in subdivisions outside the partially complete Interstate 540 loop around the city of Raleigh in Wake County.

Figure 12. Average Annual Sales Permitting Activity in the Raleigh HMA



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through February 2019.

Sources: U.S. Census Bureau, Building Permits Survey; 2000—2017 final data and estimates by the analyst;

2018—preliminary data and estimates by the analyst

A typical example is the 173-home community of Middleton in the city of Apex. This community is expected to be built out in 2019, with 5-bedroom homes starting at \$500,000. The fastest growing area of new home development is in and around the city of Clayton, in Johnston County, with the number of new home sales in this city increasing from 460 to 1,150 between 2012 and 2018 (Metrostudy, A Hanley Wood Company). Flowers Plantation, located on the east side of Clayton, is a 3,000-acre planned community that is expected to include as many as 8,000 homes when complete beyond the 3-year forecast period. According to the *Triangle Business Journal*, Flowers Plantation leads the HMA in home sales, with 99 closings in the first quarter of 2019, at an average price of \$263,500.

Forecast

Based on current and anticipated economic growth and the current slightly tight sales market conditions in the HMA, demand is estimated for 28,300

new homes during the next 3 years, with demand trending slightly downwards during the forecast period (Table 6). The 3,000 homes currently under construction are expected to meet a portion of demand during the first year of the forecast.

Table 6. Demand for New Sales Units in the Raleigh HMA During the Forecast Period

Sales Units	
Demand	28,300 Units
Under Construction	3,000 Units

Note: The forecast period is from March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Balanced.

Rental market conditions in the HMA are balanced despite high levels of apartment construction since the early 2010s.

Current Conditions and Recent Trends

Overall rental housing market conditions (which include single-family rentals, townhomes, and mobile homes, as well as apartments) in the Raleigh HMA are currently balanced, with an overall estimated rental vacancy rate of 5.5 percent, down from 8.6 percent in 2010 (Table 7). High levels of renter household growth since 2010 have contributed to declining vacancy rates and rising rents.

Table 7. Rental and Apartment Market Quick Facts in the Raleigh HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.6	5.5
	Occupied Rental Units by Structure		
	Single-family Attached & Detached	32	34
	Multifamily (2-4 units)	11	11
	Multifamily (5+ units)	49	48
Apartment Market Quick Facts	Other (including Mobile Homes)	8	7
		Current	YoY Change (%)
	Apartment Vacancy Rate (%)	5.3	-0.5
	Average Rent	\$1,101	4.1
	Studio	\$1,015	3.9
	One-Bedroom	\$991	4.4
	Two-Bedroom	\$1,145	4.1
	Three-Bedroom	\$1,347	3.1

YoY = year-over-year.

Notes: The current date is March 1, 2019. Current data for "occupied rental units by structure" are 2017 American Community Survey, 1-year data. Current apartment data are for the fourth quarter of 2018.

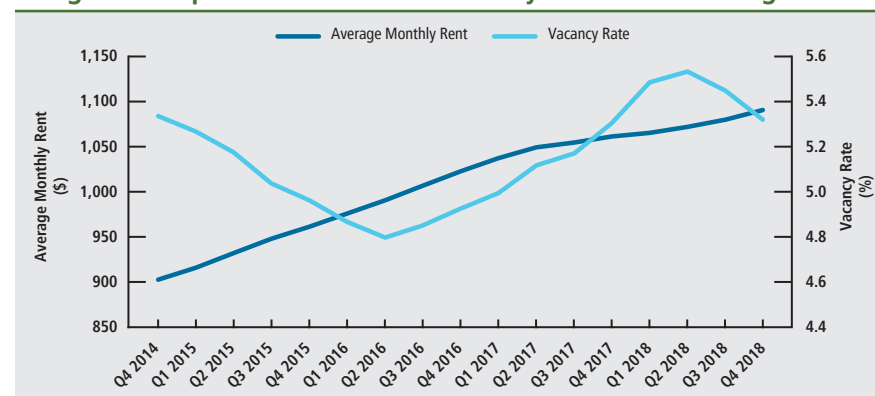
Sources: 2017 American Community Survey, 1-year data; RealPage, Inc.

The apartment market, which makes up approximately 59 percent of renter-occupied units in the HMA, is also balanced. The apartment vacancy rate has been below 6.0 percent since 2014 and averaged 5.3 percent during the fourth quarter of 2018, down from 5.8 percent a year earlier (RealPage, Inc.). During the fourth quarter of 2018, the average rent in the HMA increased 4 percent from the fourth quarter of 2017 to \$1,101 (Figure 13). Average rents for one-, two-, and three-bedroom apartments were \$991, \$1,145, and \$1,347, respectively, during the fourth quarter of 2018. Rent growth has occurred since 2011 but peaked during 2015 and 2016, averaging 6 percent annually for both recently completed and existing complexes before declining to an average of 3 percent annually during 2017 and 2018. By comparison, annual rent growth averaged 5 percent nationally during 2015 and 2016.

Market Conditions by Geography

Apartment vacancy rates during the fourth quarter of 2019 were relatively consistent across the HMA, ranging from a low of 4.8 percent in the RealPage Inc.-defined Northwest Raleigh market area to a high of 6.4 percent in the Northeast Raleigh market area. Rents are highest in the RTP-bordering North Cary/Morrisville market area, at \$1,153 and Central Raleigh market area,

Figure 13. Apartment Rents and Vacancy Rates in the Raleigh HMA



Note: Both apartment rents and vacancy rates represent four quarter moving averages.

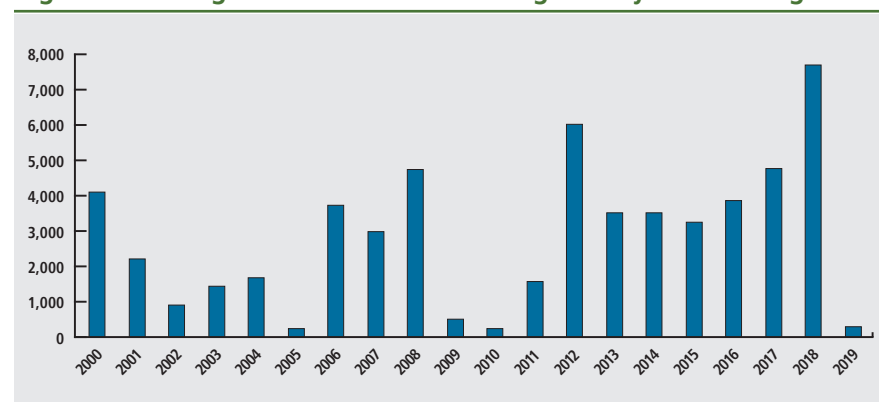
Source: RealPage, Inc.

which includes NCSU, at \$1,137. The Central Raleigh area has an off-campus population of approximately 23,000 students. Private student housing in the Central Raleigh area accounts for approximately 14 percent of all apartment units in the Central Raleigh market area and houses an estimated 8,650 students while dormitories and other housing affiliated with NCSU house an additional estimated 8,000 students. The eastern side of the HMA has lower average rents; the Southeast Raleigh and Northeast Raleigh areas have average rents of \$1,023 and \$1,035, respectively.

Rental Construction Activity

Builders have responded to strong rent growth with high levels of rental construction since the early 2010s. Following the Great Recession, apartment construction, as measured by the number of units permitted, declined to very low levels from 2009 through 2011, averaging only 770 units permitted annually because of a soft rental market (Figure 14). However, rental construction quickly rebounded, with 6,025 units permitted in 2012,

Figure 14. Average Annual Rental Permitting Activity in the Raleigh HMA



Notes: Includes apartments and units designed for rental occupancy. Data for 2019 are through February 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017—final data and estimates by the analyst; 2018—preliminary data and estimates by the analyst

the second highest annual figure since 2000. Rental construction was fairly stable from 2013 through 2016, averaging 3,525 units permitted annually, before increasing to 4,750 in 2017 and 7,700 in 2018. During the 12 months ending February 2019, approximately 3,825 apartment units were permitted, an increase of approximately 32 percent compared with the previous 12-month period (preliminary data).

Recently Constructed Rental Properties

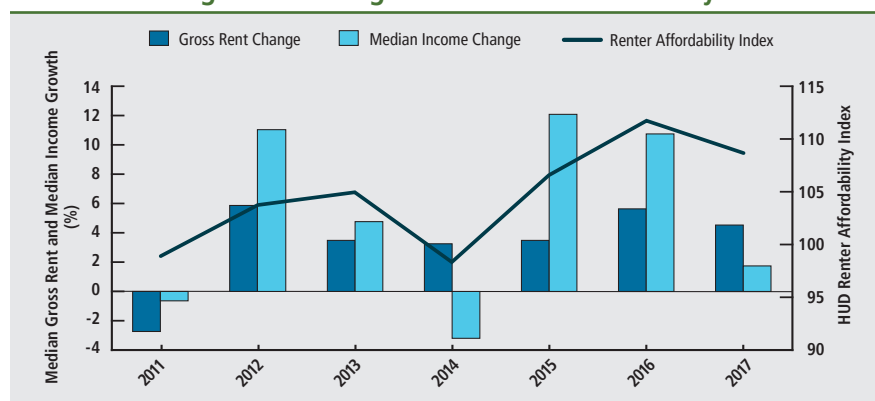
Recent apartment construction has occurred throughout the HMA but has been most concentrated in the city of Raleigh, with approximately 3,975 apartments currently under construction, as well as the cities of Apex and Cary, with 990 and 960 apartments under construction, respectively. In addition to having the highest rents in the HMA, the RealPage, Inc.-defined North Cary/Morrisville and Central Raleigh market areas led the HMA with apartment completions, with approximately 1,475 and 1,000 new apartments coming online during 2018, respectively. The Standard at Raleigh, a 234-unit market-rate student apartment complex is currently under construction in the Central Raleigh market area and is expected to be complete in the fall of 2020. In Apex, Meridian at Ten-Ten, a 272-unit market rate apartment complex, is expected to open in the summer of 2019. When complete, the development will offer one-, two-, and three-bedroom units starting at \$1,050, \$1,350, and \$1,500, respectively.

Housing Affordability: Rental

Rental housing in the Raleigh HMA has become more expensive since 2010, but the effect on rental affordability has been offset by high income growth. Between 2010 and 2017, median gross rent increased by a total of 26 percent, while the median income of renter households increased by 42 percent. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 96.9 in 2010, to 108.7 in 2017, signifying a more

affordable rental market (Figure 15). It is important to note, however, that some of the increase in income was likely caused by lower-income households choosing to move outside of the HMA in response to increased rents. Among households that have incomes below 50 percent of Area Median Family Income (AMFI) approximately 31.5 percent spend between 30 and 49 percent of their income on rent, while 47.7 percent spend more than 50 percent of their income on rent (Table 8). By comparison, 25.7 and 50.2 percent of similar families nationwide spend between 30 and 49 percent and more than 50 percent of their income on rent respectively.

Figure 15. Raleigh HMA Rental Affordability



Source: American Community Survey, 1-year data

The Low-Income Housing Tax Credit (LIHTC) Program is the primary source of funding for new affordable rental housing in the nation. From 2010 through 2016, approximately 2,075 units of below-market rate LIHTC units were placed in service in the Raleigh HMA (HUD LIHTC database). Sunnybrook Pointe, a 180-unit apartment complex financed by the LIHTC program, is currently under construction and is expected to be complete in mid-2019. When complete, Sunnybrook Pointe, will offer one-, two-, and three-bedroom apartments at below-market rate rents to households making less than 60 percent of AMFI.

Table 8. Percentage of Cost-Burdened Renter Households by Income in the Raleigh HMA and Nation, 2011–2015

	Cost Burdened		Severely Cost Burdened	
	Raleigh HMA	Nation	Raleigh HMA	Nation
Renter Households with Income <50% AMFI	31.5	25.7	47.7	50.2
Total Renter Households	22.2	22.0	21.0	23.8

AMFI = Area Median Family Income.

Notes: "Cost burdened" are those households who spend 30–49 percent of their income on rent.

"Severely cost burdened" are those households who spend more than 50 percent of their income on rent.

Sources: Consolidated Planning/CHAS Data; 2011–2015 American Community Survey, 5-year estimates (huduser.gov)

Wake County allocated \$12.6 million in April 2019 that will go toward supporting nine proposed LIHTC developments with a combined 920 units that would likely come online after 2020.

Forecast

During the 3-year forecast period, demand is estimated for 11,850 apartments in the HMA (Table 9). Demand is expected to be evenly distributed among all years of the forecast period, although the 7,750 units currently under construction will fulfill almost all expected demand during the first and second years.

Table 9. Demand for New Rental Units in the Raleigh HMA During the Forecast Period

Rental Units	
Demand	11,850 Units
Under Construction	7,750 Units

Note: The forecast period is March 1, 2019, to March 1, 2022.

Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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 U.S. 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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales. Annual data are based on an average of the 12 months of a single calendar year.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Forecast Period	3/1/2019–3/1/2022—Estimates by the analyst
Cost Burdened	Spending more than 30 percent of household income on housing costs.

B. Notes on Geography

1.	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.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	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.
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