

# COMPREHENSIVE HOUSING MARKET ANALYSIS

# Raleigh, North Carolina

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

As of January 1, 2022



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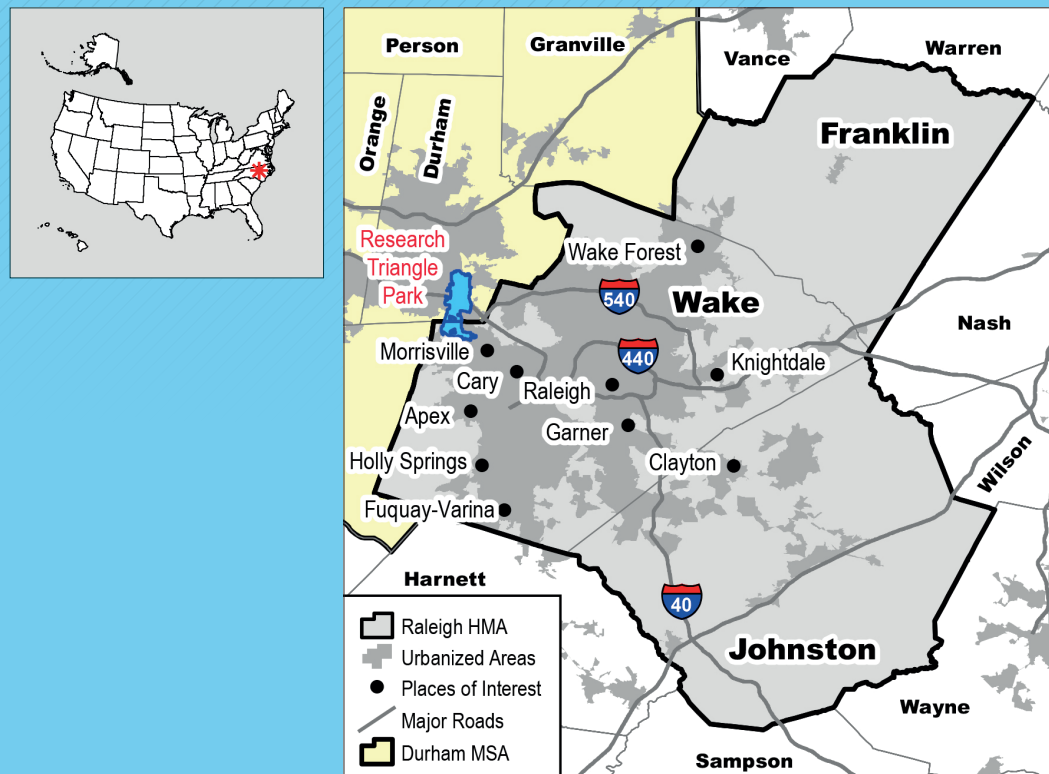


# Executive Summary

## 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 neighboring Durham-Chapel Hill MSA are often referred to as the “Research Triangle” because of the large research universities in each city. The city of Raleigh, in Wake County, is the state capital and economic base of the HMA.

The current population of the HMA is estimated at 1.48 million.



## Tools and Resources

Find interim updates for this metropolitan area, and select 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 4.4 percent year over year during the fourth quarter of 2021.

Economic conditions in the Raleigh HMA were strong before the pandemic, with nonfarm payrolls increasing by an average of 17,500 jobs, or 3.1 percent, annually from 2012 through 2019. During 2021, nonfarm payrolls increased by 24,900 jobs, or 4.0 percent, compared with 2020, when nonfarm payrolls decreased by 21,800, or 3.4 percent, and are now above pre-COVID-19 levels. The unemployment rate decreased from 6.4 percent to 3.7 percent during the same period because of strong job growth during 2021. Nonfarm payrolls are expected to continue increasing during the 3-year forecast period at an average annual rate of 2.5 percent annually.

### Sales Market



**Tight:** The HMA had a 1.0-month supply of homes during December 2021—down from a 1.5-month supply during December 2020 (CoreLogic, Inc.).

The home sales market has a current estimated vacancy rate of 0.6 percent—down from 2.5 percent in 2010. New and existing home sales prices increased 18 percent during 2021, following an increase of 8 percent during the previous year (CoreLogic, Inc.). The number of new and existing home sales increased as well, rising 6 percent during 2021, to 41,800 sales. During the next 3 years, demand is expected for 36,600 new homes. The 4,300 homes under construction are expected to meet a portion of that demand.

### Rental Market



**Slightly Tight:** The overall rental vacancy rate is estimated at 5.0 percent, down from 8.6 percent in April 2010.

Conditions in the apartment market are also slightly tight. During the fourth quarter of 2021, the apartment vacancy rate was 5.1 percent, down from 8.1 percent during the fourth quarter of 2020 (CoStar Group). During the same period, rent growth was unprecedentedly high, increasing 20 percent, to \$1,448. By comparison, apartment rent growth averaged 3 percent annually from 2013 through 2019. During the 3-year forecast period, demand is expected for 16,200 rental units; the 9,500 units already under construction will meet more than one-half of that demand.

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### 3-Year Housing Demand Forecast

Raleigh HMA	Sales Units		Rental Units	
	Total Demand	36,600	16,200	
	Under Construction	4,300	9,500	

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period—units under construction as of January 1, 2022. The forecast period is January 1, 2022, to January 1, 2025.

Source: Estimates by the analyst



# Economic Conditions

## Largest Sector: Professional and Business Services

During December 2021, nonfarm payrolls in the HMA were 1.8 percent above prepandemic levels during February 2020 (not seasonally adjusted).

## Primary Local Economic Factors

The foundation of the Raleigh HMA economy is a highly educated workforce. As of 2019, the percentage of adults in the HMA with bachelor’s degrees or higher was estimated at 48.0 percent, well above the 33.1-percent rate for the nation and the seventh highest rate of the 100 most populous MSAs in the nation (2019 American Community Survey [ACS] 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 the city of Raleigh; Duke University and the University of North Carolina—Chapel Hill are in the adjacent Durham-Chapel Hill, NC MSA.

The economy of the HMA benefits significantly from the synergy between educational institutions such as NCSU and businesses. NCSU is the third largest employer in the HMA, with 9,000 employees and an annual economic impact of \$3.3 billion in Wake County as of 2016 (Economic Modeling Specialists). The presence of NCSU in the HMA also contributes indirectly to job growth

through the founding of companies such as SAS Institute Inc., which began as a research project at the university and currently employs 5,075 people in the HMA. The economy of the HMA also 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) Corp., the second largest private employer in the HMA, with 9,000 employees (Table 1). Cisco Systems, Inc.; Lenovo; Fidelity Investments; and Pfizer Inc.—all among the largest 10 employers in the HMA—also maintain sites at RTP. In September 2020, the first of two phases of the 100-acre Hub RTP project broke ground. Hub RTP is the first mixed-use development at RTP after more than 60 years of exclusively office and industrial development. Hub RTP will have 1,200 apartments, 425 hotel rooms, 125,000 square feet of retail space, and up to 1 million square feet of office space. The relatively large number of highly educated workers supports high wages in the HMA; during 2019, the median household income was \$80,096 in the HMA, 18 percent higher than the national median (2019 ACS 1-year data).

## Current Conditions—Nonfarm Payrolls

Economic conditions in the Raleigh HMA have improved significantly since May 2020, when businesses began to gradually reopen following measures taken to slow the spread of COVID-19. During December 2021,

Table 1. Major Employers in the Raleigh HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of North Carolina	Government	32,500
WakeMed Health & Hospitals	Education & Health Services	9,900
North Carolina State University	Government	9,000
IBM/RedHat, Inc.	Information	9,000
UNC REX Healthcare	Education & Health Services	7,700
SAS Institute Inc.	Information	5,075
Cisco Systems, Inc.	Information	5,000
Lenovo	Information	5,000
Fidelity Investments	Financial Activities	4,300
Pfizer Inc.	Education & Health Services	3,700

Notes: Excludes local governments and retail chains. Includes employers at the RTP, which is partially located in the Durham-Chapel Hill MSA. Sources: Raleigh Chamber of Commerce; Triangle Business Journal



total payrolls in the HMA were 1.8 percent above prepandemic levels during February 2020 (not seasonally adjusted). During 2021, job gains exceeded the job losses in 2020, with current payrolls above pre-COVID-19 levels.

During 2020, nonfarm payrolls in the HMA declined by 21,800, or 3.4 percent, with 8 of 11 sectors losing jobs, compared with 2019. The scale of job losses following the beginning of the COVID-19 pandemic was smaller than that of the nation, where nonfarm payrolls fell 5.8 percent during 2020. Job losses in the HMA were largest in the leisure and hospitality sector, which contracted by 16,300 jobs, or 22.2 percent, after indoor dining and many recreational activities were curtailed in mid-March 2020. The second largest decline in payrolls occurred in the education and health services sector, which fell by 3,100 jobs, or 3.8 percent. A moratorium on nonessential medical procedures implemented to preserve healthcare resources and minimize transmission of COVID-19 contributed to the loss of many jobs in this sector. During 2020, the government sector declined by 2,200 jobs or 2.2 percent. Almost all of these job losses occurred in the state government subsector, which contracted by 2,200 jobs, or 4.8 percent. Reduced tax revenue resulting from the pandemic led to furloughs and delayed hiring; the presence of the state capital and a large public university in the metropolitan area led to disproportionately higher job losses because of those state budget reductions. The transportation and utilities sector

was the largest source of job growth during 2020, expanding by 2,900 jobs, or 19.3 percent. Consumer e-commerce spending increased 32 percent during the fourth quarter of 2020 compared with the fourth quarter of 2019, creating an enormous increase in demand for delivery and parcel services (Census Bureau Retail Trade Survey). A major source of job growth in this sector was Amazon.com, Inc. (hereafter, Amazon), which opened a 3,000-employee distribution center in Garner in mid-2020.

The economy of the Raleigh HMA expanded during 2021; the number of nonfarm payrolls is well above pre-COVID-19 levels. Compared with 2020, nonfarm payrolls during 2021 increased by 24,900 jobs, or 4.0 percent, with every payroll sector except the government sector adding jobs (Table 2). The professional and business services sector, the largest economic sector in the HMA (Figure 1), added the highest number of jobs, growing by 7,700 jobs, or 6.1 percent, following growth of 1,300 jobs, or 1.0 percent, during 2020. Jobs in this sector are disproportionately knowledge-based work that can be performed remotely. The second largest number of jobs added occurred in the leisure and hospitality sector, recovering 6,700 jobs, or 11.7 percent, because restaurants—which had adjusted to public health countermeasures—resumed in-person dining and recreation with no occupancy restrictions in May 2021.

**Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Raleigh HMA, by Sector**

	12 Months Ending December 2020	12 Months Ending December 2021	Absolute Change	Percentage Change
<b>Total Nonfarm Payroll Jobs</b>	<b>624.1</b>	<b>649.0</b>	<b>24.9</b>	<b>4.0</b>
<b>Goods-Producing Sectors</b>	<b>72.0</b>	<b>74.9</b>	<b>2.9</b>	<b>4.0</b>
Mining, Logging, & Construction	41.8	43.7	1.9	4.5
Manufacturing	30.2	31.2	1.0	3.3
<b>Service-Providing Sectors</b>	<b>552.1</b>	<b>574.1</b>	<b>22.0</b>	<b>4.0</b>
Wholesale & Retail Trade	96.0	99.7	3.7	3.9
Transportation & Utilities	17.9	21.1	3.2	17.9
Information	22.2	22.4	0.2	0.9
Financial Activities	33.5	34.1	0.6	1.8
Professional & Business Services	125.4	133.1	7.7	6.1
Education & Health Services	78.9	80.2	1.3	1.6
Leisure & Hospitality	57.1	63.8	6.7	11.7
Other Services	25.0	25.4	0.4	1.6
Government	96.1	94.4	-1.7	-1.8

Notes: Information is based on 12-month averages through December 2020 and December 2021. Numbers may not add to totals due to rounding. Data are in thousands.

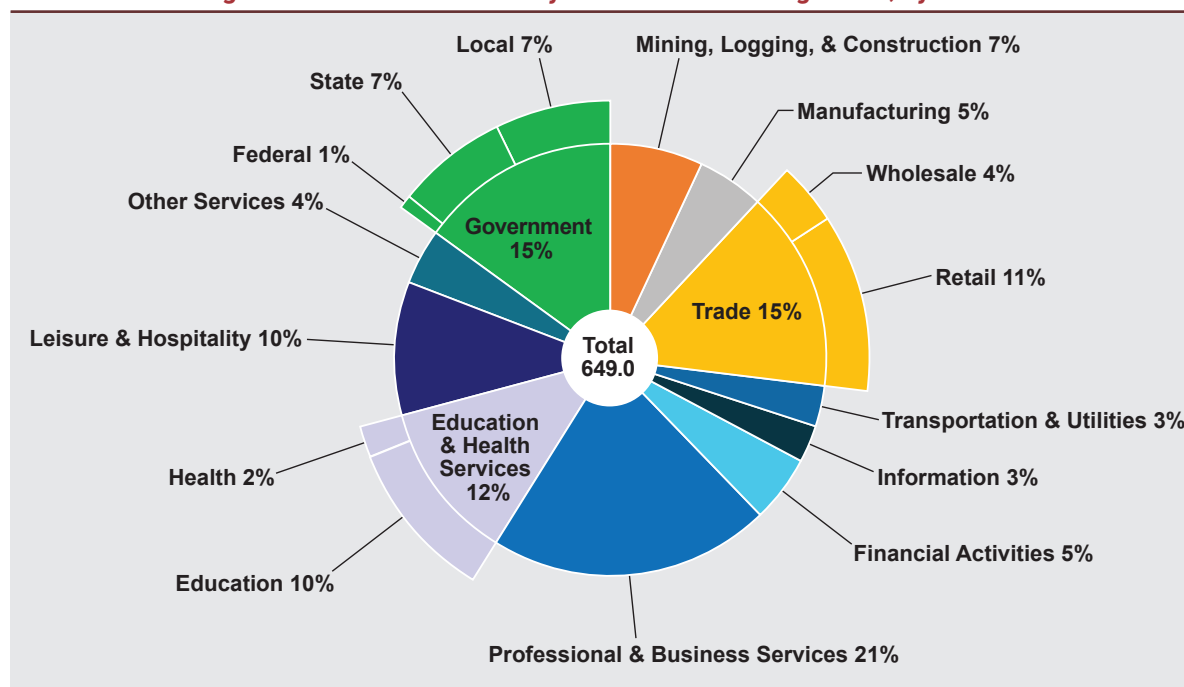
Source: U.S. Bureau of Labor Statistics



Despite the growth, the number of jobs in this sector remains 13.1 percent below levels during 2019. The transportation and utilities sector grew 17.9 percent, or by 3,200 jobs, more than any other sector in percentage terms. A large portion of this growth was caused by the Amazon distribution center staffing increase. Job growth in the HMA outpaced that of the nation, where payrolls expanded 2.8 percent year over year during 2021. By comparison, national payrolls during December 2021 were 0.4 percent below prepandemic levels in February 2020.

Several firms located at the RTP expanded in 2021, contributing to job growth. In 2021, Fidelity Investments announced plans to expand RTP staff by approximately 2,250 employees; in 2021, an estimated 700 of those positions were filled. Gilead Sciences, Inc., a biopharmaceutical company, began staffing a new customer support site at the RTP in 2021. When fully staffed in 2023, it will include 275 employees.

**Figure 1. Share of 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. Based on 12-month averages through December 2021.

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 an average of 0.3 percent, or 1,300 jobs, annually from 2001 through 2003. The local economy began to grow rapidly, however, as

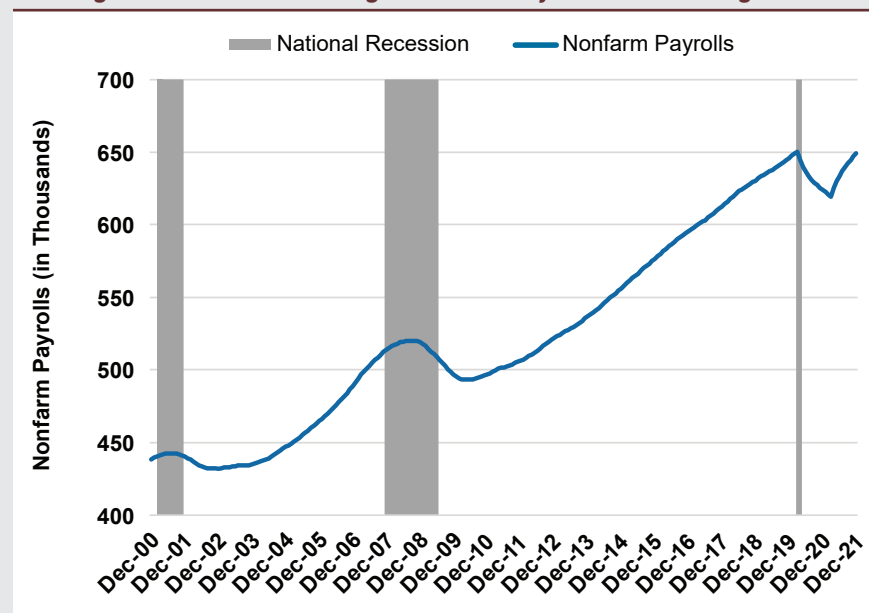
the national economy improved, with nonfarm payroll growth in the HMA averaging 4.3 percent a year, or 19,800 jobs, from 2004 through 2007. During this period, the professional and business services and the government sectors led growth, adding 4,600 and 3,200 jobs, or 5.8 and 3.9 percent, respectively. 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 1.0 percent, or 5,200 jobs, during 2008 and then fell by an average of 11,100 jobs, or 2.2 percent, a year during 2009 and 2010 as the nation entered a recession and residential construction sharply declined (Figure 2). Job losses in the HMA were less severe than they were nationally; nonfarm

payrolls for the nation declined an average of 2.5 percent during 2009 and 2010. Approximately 44 percent of the job losses in the HMA during 2009 and 2010 occurred in the mining, logging, and construction sector, which declined by an average of 4,900 jobs, or 13.7 percent, annually even though the sector accounted for only 7 percent of all payrolls in 2008. During 2009 and 2010, population growth slowed, and sales and rental construction were at their lowest level since 2000, contributing to less demand for construction workers. By comparison, 25 percent of national job losses during this period occurred in the mining, logging, and construction sector. State government payrolls expanded at an average rate of 1.2 percent annually during the 2000-to-2010 period, only declining during 2009. By comparison, overall payrolls in the HMA expanded by 1.3 percent during the same period.

### 2011 Through 2019

The HMA added 9,400 jobs in 2011, or 1.9 percent, which accelerated to an average annual increase of 17,500 jobs, or 3.1 percent, from 2012 through 2019. By comparison, national payroll growth averaged 1.7 percent from 2012 through 2019. Payroll growth in the HMA during this period was broad based, with all economic sectors growing at least 1.0 percent annually. The professional and business services, the education and health services, and the leisure and hospitality sectors led job growth from 2012 through 2019, adding an average of 4,000, 2,600, and 2,500 jobs annually, or 3.9, 3.7, and 4.1 percent, respectively. Payrolls in the state government subsector increased at a slower rate than in any other economic sector, rising an average of

**Figure 2. 12-Month Average Nonfarm Payrolls in the Raleigh HMA**



Note: 12-month moving average.

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

0.5 percent annually. During this period, several of the largest employers in the education and health services sector in the HMA added jobs: UNC Rex Healthcare grew by approximately 3,300 jobs, and WakeMed Health & Hospitals added 1,600 jobs.

## Unemployment Trends

The recovery of jobs lost after the onset of the COVID-19 pandemic caused the unemployment rate to decline during 2021. The unemployment rate in the HMA decreased from an average of 6.4 percent during 2020 to 3.7 percent during 2021; the national rate averaged 5.3 percent during 2021. The unemployment rate in the HMA declined during 2021 because of strong growth in the number

of employed people in the HMA, following a rapid increase in unemployment during 2020 caused by job losses related to public health measures taken to slow the spread of COVID-19. The monthly unemployment rate began decreasing in May 2020, reaching 2.6 percent in December 2021; the national unemployment rate was 3.7 percent during December 2021.

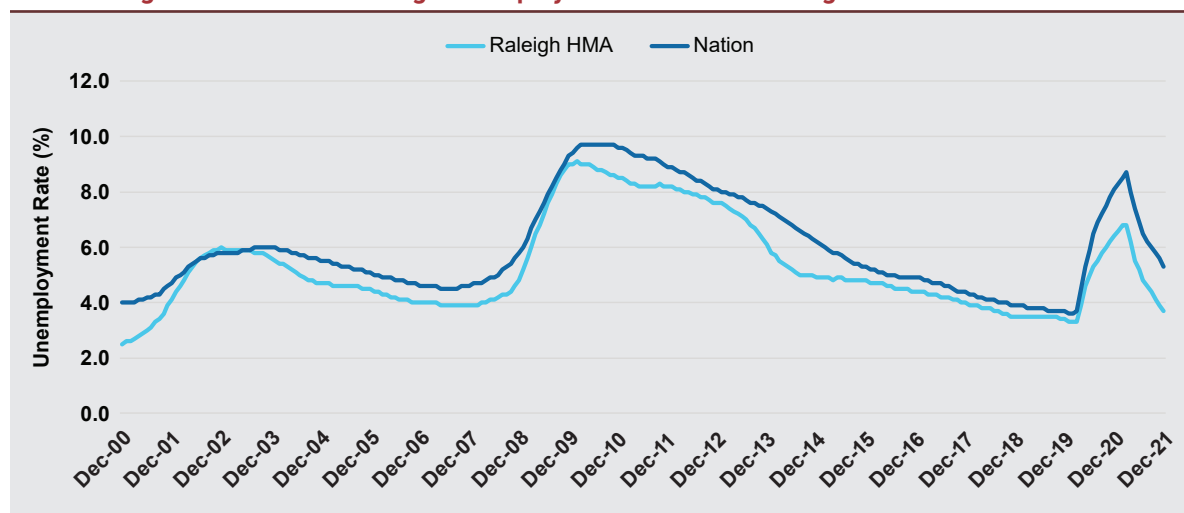


Before the economic downturn that occurred in 2020, the unemployment rate in the HMA had declined throughout the 2010s (Figure 3). Due in large part to job losses during the Great Recession, the unemployment rate in the HMA averaged 9.0 percent in 2009—up from 3.9 percent in 2007. The unemployment rate in the HMA declined from 2010 through 2019, to a low of 3.4 percent in 2019. Contributing to the decline during the period was job growth in the HMA each year from 2011 through 2019.

## Commuting Patterns

The Raleigh HMA is a major job center, with approximately 713,600 people employed in the HMA during 2019 (Census Bureau OnTheMap data). During the same period, approximately 646,100 workers resided in the HMA, implying that 67,500 workers commuted into the HMA. Within the HMA, approximately 91 percent, or 647,500 jobs, were in Wake County, 24 percent more than the 523,100 workers who resided there. Conversely, Franklin and Johnston counties had more workers than jobs, with more people commuting out of these counties than in. Johnston County had 53,250 jobs, 42 percent fewer jobs than the number of workers residing in the county. Franklin County had 12,800 jobs, 59 percent fewer than the number of workers residing there. Approximately 92,650, or 14 percent of the number of workers living in the HMA, commute

**Figure 3. 12-Month Average Unemployment Rate in the Raleigh HMA and the Nation**



Note: Based on the 12-month moving average.  
Source: U.S. Bureau of Labor Statistics

to the neighboring Durham-Chapel Hill, NC MSA. Conversely, approximately 22 percent of the workers living in the Durham-Chapel Hill MSA, or 62,200 people, commute to the Raleigh HMA for work.

## Forecast

During the 3-year forecast period, the economy of the HMA is expected to expand, with nonfarm payrolls increasing an average of 2.5 percent annually. Job growth is expected to be relatively steady throughout the forecast period. The most significant source of job growth in the HMA is expected to be Apple Inc., which is planning to open a 3,000-employee campus in the RTP in 2023. Fidelity Investments is also expected to increase its RTP staff, adding more than 1,000 employees during the next 3 years. Grail, Inc., a biotechnology company, is opening a 200,000-square-foot campus at the RTP and plans to hire 400 employees beginning in 2022. Bandwidth Inc., a provider of cloud-based communications, is building a new headquarters in the HMA and expects to hire 1,150 employees during the next several years. FUJIFILM Holdings Corporation is currently building a cell-culturing manufacturing facility in Holly Springs that is expected to employ 750 people when complete. Amazon is building a distribution center in Johnston County that is expected to bring 500 jobs to the HMA in 2022.



# Population and Households

## Current Population: 1.48 Million

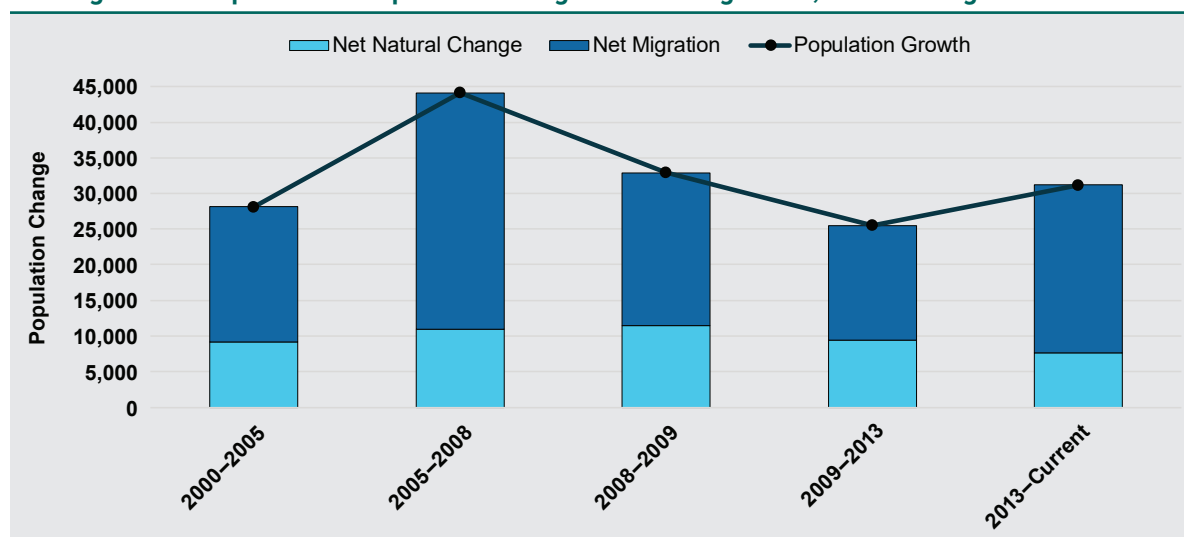
From 2010 to 2020, the Raleigh HMA was the fourth fastest growing of the nation's 100 most populous metropolitan areas, increasing by an average of 28,350, or 2.3 percent, annually.

## Population Trends

The Raleigh HMA has had consistently high levels of population growth since 2000. From 2000 to 2010, the HMA was the second fastest growing of the nation's 100 most populous metropolitan areas, and it was the fourth fastest growing in the 2010-to-2020 period. 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 (Figure 4). Despite job growth during much of the period, population growth averaged only 25,450 people, or 2.2 percent, annually in the HMA from 2009 to 2013 due in part to the aftereffects 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 primary cause of the slowdown in population growth in the HMA from 2009 to 2013. Net in-migration

averaged 33,250 people annually, or 75 percent of population growth, during the 2005-to-2008 period but only 16,000 annually, or 63 percent of population growth, from 2009 to 2013. As labor and housing markets recovered throughout much of the nation, population growth in the HMA has increased since 2013. As of January 1, 2022, the population of the HMA is estimated at 1.48 million people (Table 3), an estimated

**Figure 4. Components of Population Change in the Raleigh HMA, 2000 Through the Forecast**



Notes: Data displayed are average annual totals. The forecast period is from the current date (January 1, 2022) to January 1, 2025.  
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

**Table 3. Raleigh HMA Population and Household Quick Facts**

Population Quick Facts		2010	Current	Forecast
	Population	1,130,490	1,477,000	1,567,000
	Average Annual Change	33,350	29,450	29,950
	Percentage Change	3.6	2.3	2.0
Household Quick Facts		2010	Current	Forecast
	Households	430,577	573,300	616,900
	Average Annual Change	12,400	12,150	14,550
	Percentage Change	3.5	2.5	2.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2022) to January 1, 2025.  
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

average annual increase of 31,150 people, or 2.4 percent, since 2013. During the period, net in-migration accounted for 23,600 people annually, or 76 percent of population growth. Net natural change declined by a moderate amount, averaging 7,550 people annually since 2013 compared with 9,450 people from 2009 to 2013 and 10,900 people from 2005 to 2008.

Current economic and demographic trends support strong population growth in the Raleigh HMA. Although housing costs in the HMA are relatively high compared with nearby areas, they are generally lower than in MSAs with comparable economies and numbers of well-paying jobs. As a result, large increases in home prices and rents during 2020 and 2021 in MSAs with higher housing costs likely contributed to population growth in the HMA, as new residents relocated from MSAs with higher housing costs. Anecdotal information suggests that this is the case; the Raleigh HMA was the most popular destination for U-Haul rentals in 2019 and the second most popular in 2020 and 2021.

## Demographic Trends

Population in the Raleigh HMA has grown rapidly since 2000 because skilled workers are attracted by the strong economic conditions and high wages. As a result, a relatively large share of the population consists of people in their peak earning years, defined as prime age. An estimated 44 percent of the population of the HMA is between the ages of 25 and 55, compared

with 39.2 percent nationally. At the same time, 12.4 percent of the population is 65 years of age or older, compared with 16.5 percent nationally (2019 ACS 1-year data; Table 4). The relatively large share of households led by prime-age adults contributes to a relatively high percentage of households with children in the HMA; 35.1 percent of households in the HMA include children younger than age 18, compared with 29.9 percent nationally (2019 ACS 1-year data).

Strong economic conditions and a high concentration of higher wage jobs in the HMA support a median household income of \$80,096, 22 percent higher than the national median (2019 ACS 1-year data). The poverty rate in the HMA was 8.9 percent in 2019, including 8.0 percent of all households with children (ACS 1-year data).

## Population by Geography

Approximately 80 percent of the HMA population resides in Wake County, with approximately 35 percent of the population of the HMA in the city of Raleigh; 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 2015, Johnston and Franklin Counties accounted for 12 and 2 percent of population growth in the HMA, compared with 21 and 4 percent, respectively, from 2015 to 2020. During the same periods, the

**Table 4. Selected Population and Household Demographics**

	Raleigh HMA	Nation
<b>Population Age 18 and Younger</b>	23.8%	22.2%
<b>Population Age 65 and Older</b>	12.4%	16.5%
<b>Median Age</b>	37.3	38.5
<b>Bachelor's Degree Holders Older than Age 25</b>	29.8%	20.3%
<b>Graduate or Professional Degree Holders Older than Age 25</b>	18.1%	12.8%
<b>Households in Poverty with at Least One Child Younger than Age 18</b>	35.1%	29.9%
<b>Households in Poverty with One or More Children Younger than Age 18</b>	8.0%	13.8%
<b>Median Household Income</b>	\$80,096	\$65,712
<b>Poverty Rate</b>	8.9%	12.3%

Source: 2019 American Community Survey 1-year data



percentage of population growth that occurred in Wake County declined from 87 to 75 percent.

The fastest growing municipalities in the HMA are the suburbs around the city of Raleigh. Although the city of Raleigh grew the most numerically from 2010 to 2020, several suburbs expanded by more than 50 percent, with the population of the city of Fuquay-Varina growing more than 90 percent (Table 5).

### Household Trends

As of January 2022, the number of households in the HMA is estimated at 573,300, an increase of 12,150 households, or 2.5 percent, annually since 2010. By comparison, household growth averaged 12,400, or 3.5 percent, annually from 2000 to 2010. Household growth has slowed since 2010 primarily because of slower population growth. The homeownership rate is currently estimated at 65.1 percent, down from 66.8 percent in 2010 because of a weak labor market and a tight credit market during the first years of the decade.

Table 5. Population Changes in Selected Municipalities in the Raleigh HMA

Municipality	2000	2020	Average Annual Numerical Change	Average Annual Percentage Change
Raleigh	403,892	467,665	6,377	1.5
Cary	135,234	174,721	3,949	2.6
Apex	37,476	58,780	2,130	4.6
Wake Forest	30,117	47,601	1,748	4.7
Holly Springs	24,661	41,239	1,658	5.3
Fuquay-Varina	17,937	34,152	1,622	6.7
Morrisville	18,576	29,630	1,105	4.8
Clayton	16,116	26,307	1,019	5.0

Source: U.S. Census Bureau

### Forecast

During the next 3 years, the population of the Raleigh HMA is expected to increase by an average of 29,950, or 2.0 percent, a year, to 1.57 million, slightly slower than population growth in the 2013-to-current period. Net in-migration is expected to account for approximately 80 percent of population growth. The number of households is expected to reach 616,900 by the end of the third year of the forecast period, with average growth during the next 3 years exceeding population growth, at 2.5 percent annually. Household growth is expected to exceed population growth as strong economic conditions lead to a higher-than-usual rate of household formation.



# Home Sales Market

## Market Conditions: Tight

The sales market in the HMA has tightened considerably since the beginning of the COVID-19 pandemic in March 2020.

## Current Conditions

The sales housing market in the Raleigh HMA is currently tight, with robust demand and a limited inventory of available for-sale homes contributing to rising home prices. As of January 1, 2022, the overall sales vacancy rate is estimated at 0.6 percent, down from 2.5 percent in 2010 (Table 6).

The sales market has tightened since the onset of the COVID-19 pandemic. During December 2021, the HMA had 2,150 existing single-family homes, condominiums, and townhomes for sale, representing 1.0 month of supply, down from 2,925 homes for sale, or a 1.5-month supply, during December 2020 (CoreLogic, Inc.). By comparison, 3,125 homes, or a 1.6-month supply, were available for sale in December 2019, before the beginning of the COVID-19 pandemic. The HMA has a proportionately lower supply of available homes than the nation-at-large, which had 1.1 months of supply during December 2021, down from a 1.7-month supply during December 2020. Although market conditions have tightened during the past 24-month period, the supply of available homes has been limited for many years, contributing to home price growth in the HMA. Since December 2010, when 8,725 homes, or 7.6 months of supply,

were available for sale, the number of homes available for sale and the months' supply of available homes for sale have declined each year (Figure 5). Since 2015, the HMA has had less than 3 months of supply of available for-sale inventory, often considered a metric indicating a tight sales market.

**Table 6. Home Sales Quick Facts in the Raleigh HMA**

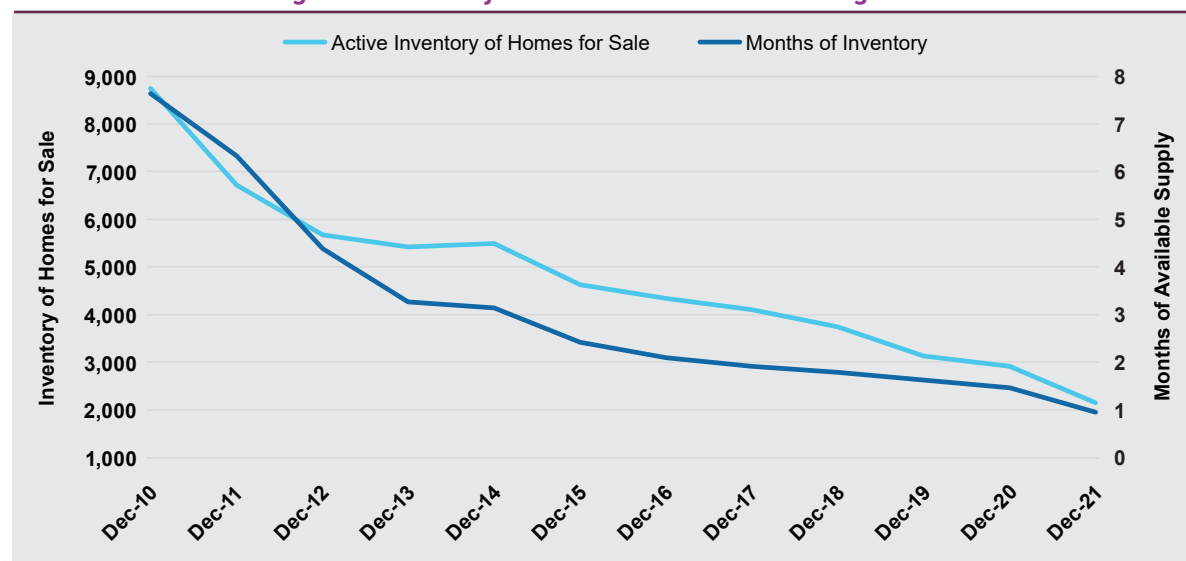
	Raleigh HMA	Nation
<b>Vacancy Rate</b>	0.6%	NA
<b>Months of Inventory</b>	1.0	1.3
<b>Total Home Sales</b>	41,800	6,887,000
1-Year Change	6%	7%
<b>New Home Sales Price</b>	\$424,100	\$458,700
1-Year Change	10%	17%
<b>Existing Home Sales Price</b>	\$390,600	\$368,500
1-Year Change	22%	11%
<b>Mortgage Delinquency Rate</b>	1.2%	2.0%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2021; months of inventory and mortgage delinquency data are as of December 2021. The current date is January 1, 2022.

Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales and prices—CoreLogic, Inc.; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

**Figure 5. Inventory of Homes for Sale in the Raleigh HMA**



Source: CoreLogic, Inc.

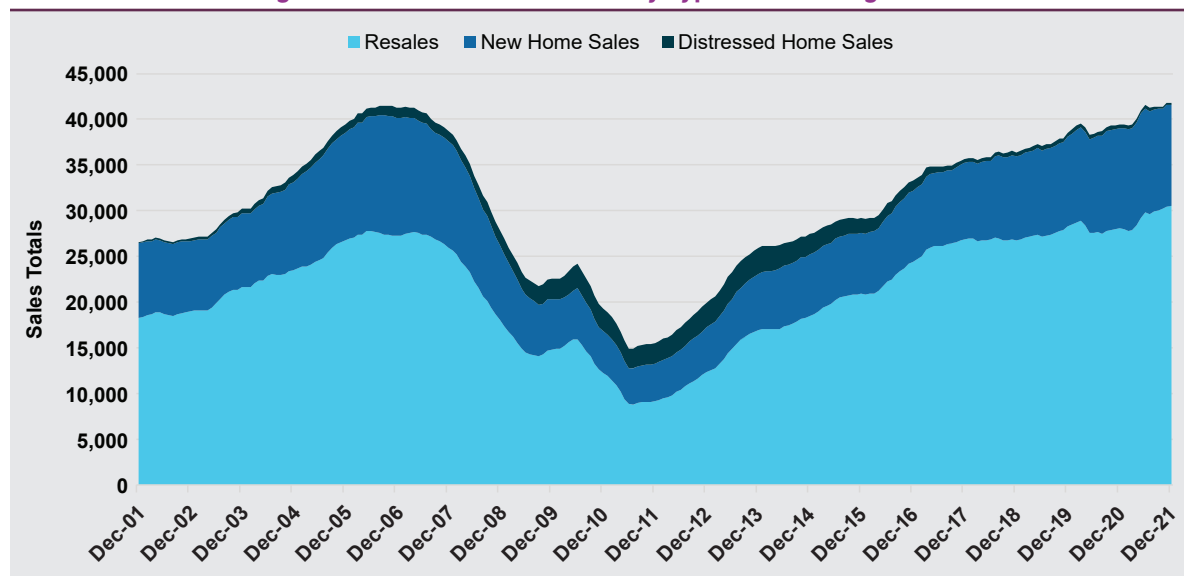


The current low level of for-sale housing inventory and robust demand for sales housing resulted in the average home sales price for new and existing homes increasing 18 percent, to \$399,400, during 2021 compared with the preceding year (CoreLogic, Inc., with adjustments by the analyst). Despite low levels of available for-sale housing inventory, the number of home sales increased 6 percent, to 41,800, during 2021. The pandemic and the subsequent rise in remote work, particularly among high-earning workers, may have contributed to the increase in home prices as more workers from higher cost large metropolitan areas moved to the HMA.

## Existing Home Sales Trends

Existing home sales and prices fell sharply during the late 2000s and early 2010s because of the housing crisis and the Great Recession. Before this decline, strong economic conditions and population growth contributed to a peak of 26,800 existing homes sold, on average, each year from 2004 through 2007 (Figure 6). Existing home sales subsequently declined by an average of 3,925 homes sold, or 19 percent, annually from 2008 through 2011, to a low of 11,350 homes sold during 2011 because of poor economic conditions and stricter lending standards. As the number of homes sold decreased, the number and percentage of distressed sales (real estate owned [REO] and short sales) increased substantially. Less than 5 percent of all existing homes sold in

Figure 6. 12-Month Sales Totals by Type in the Raleigh HMA



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

2007 were distressed, but by 2011 the percentage had increased to 20 percent. The average distressed home sales price was \$170,100 in 2011, substantially less than the \$218,000 price for conventional resales (Figure 7). Weak economic conditions and increased distressed sales contributed to existing home sales prices decreasing from an average of \$224,400 during the 2007-through-2008 period to an average of \$207,700 from 2009 through 2011.

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 4,200, or 32 percent, annually during 2012 and 2013. Existing home sales growth slowed beginning in 2014, averaging increases of 1,875, or 8 percent, each year from 2014 through 2017. The slowdown in growth was largely attributable to decreases in the number of distressed sales, which declined an average of 39 percent annually during the period, while conventional resales increased an average of 2,475, or 12 percent, annually. By 2017, the inventory of distressed homes was largely exhausted, accounting for less than 2 percent of all existing home sales. Growth of existing home sales slowed during 2018 and 2019, increasing an average of 3 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 climbed to an average of 5 percent annually from 2016 through 2019 as the inventory of available homes decreased to less than 3 months of supply. Distressed sales have not accounted for a significant portion of the sales market since 2017.

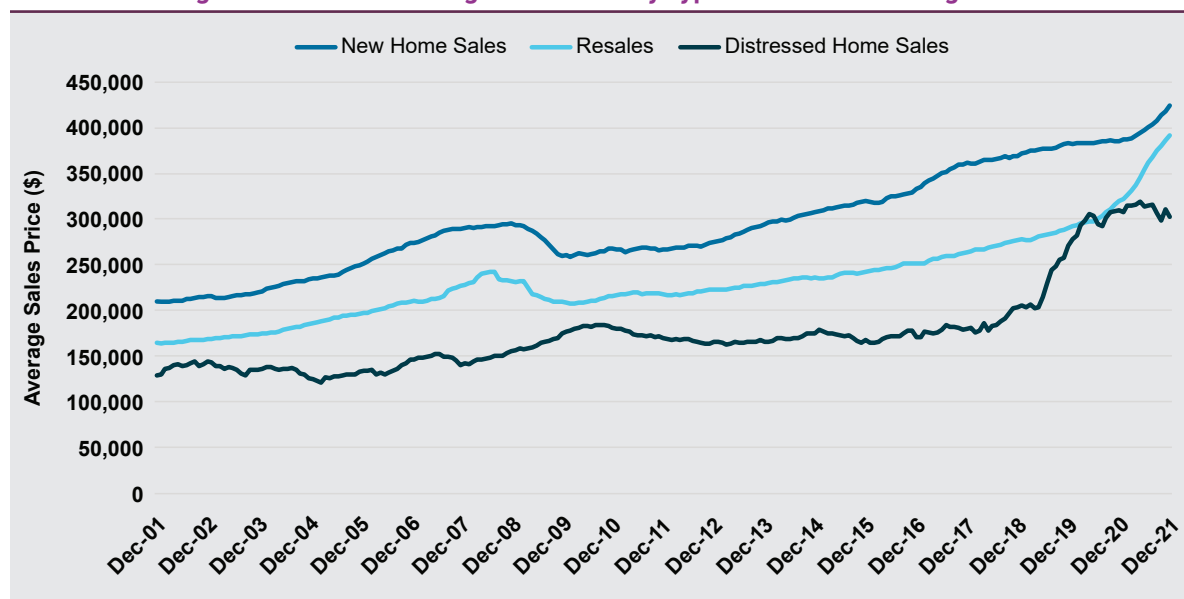
Existing home prices in the HMA have increased at a rapid pace since the beginning of the COVID-19 pandemic. In 2021, existing home prices increased 22 percent, to \$390,600, compared with 2020, when existing home prices grew 10 percent. Existing home sales continued to trend upward, rising 8 percent during 2021, to 30,750 home sales, following a decline of 1 percent a year earlier.

## New Home Trends

The same economic and demographic trends that have supported existing home sales growth also have contributed to increased demand for new homes. New home sales increased rapidly following the national recession, rising an average of 22 percent annually during 2012 and 2013, before slowing to average annual growth of 8 percent from 2014 through 2019. Approximately 11,050 new homes were sold in the HMA during 2021, up less than 1 percent from 2020, when new home sales increased 12 percent.

Although new home sales have risen sharply since 2012, new home sales volume is currently well below the peak levels of the mid-2000s. The

**Figure 7. 12-Month Average Sales Price by Type of Sale in the Raleigh HMA**



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

number of new homes sold averaged 12,350 annually during 2005 and 2006 but declined an average of 20 percent annually from 2007 through 2011, to a low of 4,125 in 2011 because of poor economic conditions, decreased access to credit, and increasing inventories of lower priced distressed homes.

New home prices have increased along with sales volumes since 2012 because of increased competition among homebuyers and rising land, labor, and material costs. New home sales prices averaged \$292,300 during 2007 and 2008 but declined to a low that averaged \$265,400 from 2009 through 2011 as prices fell in response to slowing demand. From 2012 through 2019, new home prices increased an average of 5 percent annually, similar to price increases for existing homes. In 2021, the average new home sales price increased 10 percent to \$424,100 compared with 2020, when the average price for a new home increased less than 1 percent. Average new home price growth during the past 24-month period has been significantly lower than growth in average existing home prices. During 2019 the average new home price was 21 percent above the average existing home price, but during 2021 the average price for a new home was only 9 percent above the average existing home price.

## Sales by Geography

Wake County accounts for approximately 75 percent of home sales in the HMA, with 32,000 new and existing homes sold during 2021 at an average price of \$431,600, 8 percent higher than the HMA average. Most of the highest priced neighborhoods and municipalities in the HMA are in Wake County, contributing to this premium. During the same period, 6,975 and 2,825 new and existing homes were sold in Johnston and Franklin Counties, accounting for 17 and 7 percent of all home sales in the HMA, respectively. Home prices in these counties are much lower than in Wake County, averaging \$296,100 and \$290,600 in Johnston and Franklin Counties during 2021, or 26 and 27 percent lower than the HMA average, respectively.

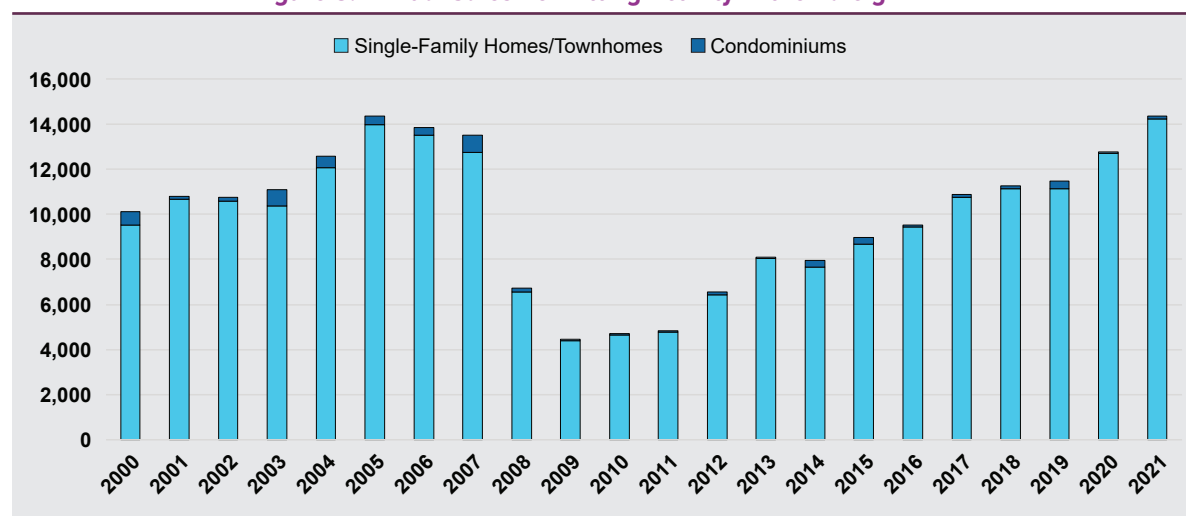
Increased demand for homes in Johnston and Franklin Counties has caused home sales to increase at a fast pace in these counties: since 2012, new and existing homes sales have increased at an average rate of 15 percent annually in Franklin County and 12 percent annually in Johnston County. By comparison, new and existing home sales increased 10 percent annually in Wake County during the same period. Increased competition among homebuyers and lower prices have contributed to faster price growth in Johnston and Franklin Counties, which averaged increases of 8 and 9 percent annually from 2017 through 2020, compared with an average of 6 percent annually in Wake County.

These trends continued during 2021, when the average new and existing home sales price increased 26 percent in both Johnston and Franklin Counties compared with 17 percent in Wake County.

## Sales Construction Activity Trends

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 and is approaching the historically high levels reached during the housing boom in the mid-2000s. Homebuilding peaked from 2005 through 2007 at an average of 13,900 homes permitted annually, then declined by an average of 4,575 homes, or 43 percent, annually, during 2008 and 2009 as demand for new homes fell (Figure 8). After reaching a low of 4,600 homes permitted on average from 2009 through 2011, for-sale home construction increased by an average of 1,675 homes, 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 8,025 homes built annually during 2013 and 2014, then increased an average of 8 percent annually through 2020, when 12,750 homes were permitted. During 2021, new home construction sharply increased, rising 13 percent, to 14,350 homes, compared with 2020 (preliminary data).

**Figure 8. Annual Sales Permitting Activity in the Raleigh HMA**



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

### Current Home Construction Activity

Most new home construction is occurring in suburbs and unincorporated land in Wake County surrounding the city of Raleigh. A typical new subdivision is the Ridgemoor home community in the city of Garner, developed by Lennar Carolinas, LLC, the largest homebuilder in the HMA. When complete, Ridgemoor is expected to have 118 townhomes and 216 detached single-family homes. Townhomes at Ridgemoor start at \$330,000, and detached single-family homes start at \$430,000; 64 homes are sold. Another typical example is Valencia, a 93-single-family-home subdivision being developed by Pulte Homes in the city of Holly Springs. Valencia is expected to be built out in 2022, with 49 homes already sold; it has single-family homes priced starting at \$500,000.

### Forecast

Based on current and anticipated economic growth and the current tight sales market conditions in the HMA, demand is estimated for 36,600 new homes during the next 3 years (Table 7). The 4,300 homes under construction are expected to meet a portion of demand during the first year of the forecast. Demand for sales housing is expected to be steady throughout the forecast period.

Table 7. Demand for New Sales Units in the Raleigh HMA During the Forecast Period

Sales Units	
Demand	36,600 Units
Under Construction	4,300 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.  
Source: Estimates by the analyst



# Rental Market

## Market Conditions: Slightly Tight

Apartment rent grew at an unprecedentedly high rate during the fourth quarter of 2021, with the average rent increasing 20 percent from a year earlier.

## Current Conditions and Recent Trends

The overall rental market in the Raleigh HMA—including apartments, single-family homes, and other housing options available for rent—is slightly tight; the estimated 5.0-percent vacancy rate is down from 8.6 percent in April 2010, when rental conditions were soft (Table 8). High levels of renter household growth since 2010 have contributed to declining vacancy rates and rising rents. Rental market conditions initially softened after the onset

**Table 8. Rental and Apartment Market Quick Facts in the Raleigh HMA**

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.6	5.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	32.2	33.0
	Multifamily (2–4 Units)	10.5	10.5
Apartment Market Quick Facts		Q4 2021	YoY Change
	Apartment Vacancy Rate	5.1	-3.0
	Average Rent	\$1,448	20%
	Studio	\$1,235	19%
	One-Bedroom	\$1,334	21%
	Two-Bedroom	\$1,518	18%
	Three-Bedroom	\$1,750	15%

Q4 = fourth quarter. YoY= year-over-year.

Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.

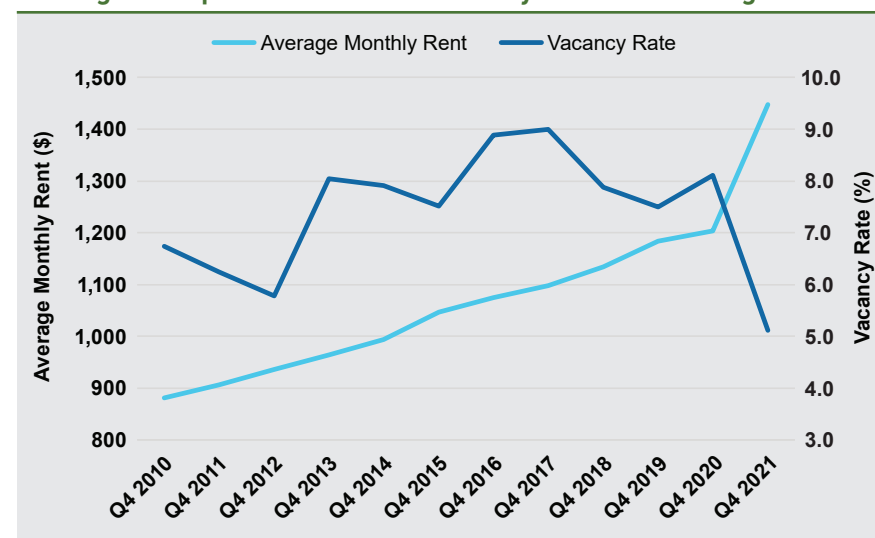
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—CoStar Group

of the COVID-19 pandemic but have tightened considerably during 2021. By comparison, rental market conditions in the HMA were balanced before the COVID-19 pandemic.

## Apartment Market Conditions

The apartment market, which accounts for approximately 50 percent of renter-occupied units in the HMA (2019 ACS 1-year data), is slightly tight. During the fourth quarter of 2021, the average apartment vacancy rate in the HMA was 5.1 percent, down from 8.1 percent during the fourth quarter of 2020 and 7.5 percent during the fourth quarter of 2019, before the COVID-19 pandemic began (CoStar Group). The average asking rent rose 20 percent, to \$1,448, compared with the fourth quarter of 2020, when the average rent increased 2 percent on an annual basis (Figure 9). Rent growth of the magnitude that

**Figure 9. Apartment Rents and Vacancy Rates in the Raleigh HMA**



Q4 = fourth quarter.

Source: CoStar Group

occurred during the fourth quarter of 2021 was unprecedented in the HMA; average rents had not increased at an annual rate above 6 percent in any fourth quarter since 2000. Only 2,150 apartment units were completed in 2021, less than any year since 2012, while population growth remained strong, contributing to the decline in the average vacancy rate and increasing rents.

Apartment market conditions were balanced prepandemic; high levels of apartment construction contributed to an elevated average apartment vacancy rate, which was above 7 percent during the fourth quarters of 2013 through 2019, with an average of 3,800 apartment units completed annually. During this period, the average apartment asking rent increased an average of 3 percent annually. Apartment vacancy rates were low during the fourth quarters from 2010 through 2012, averaging 6.2 percent, because of a very low number of apartments being completed in the wake of the economic downturn from 2008 through 2010. From 2003 through 2009, apartment market conditions were softer than in the 2010s. Average apartment rents grew only 0.1 percent annually during this period, and the apartment vacancy averaged 8.2 percent annually.

## Market Conditions by Geography

During the fourth quarter of 2021, the average apartment vacancy rates were lowest in the outlying Costar Group-defined Franklin County, South Raleigh, and Johnston County market areas, at 1.8, 3.5, and 3.9 percent, respectively. Those Franklin County, South Raleigh, and Johnston County market areas also had the lowest average asking apartment rents in the HMA, at \$1,090, \$1,335, and \$1,348, respectively, and had no apartment deliveries during 2021. The increased use of telework likely contributed to low vacancy rates in these market areas, as households were able to relocate away from the urban core of the HMA to where lower rents and larger apartment units predominate. The low vacancy rates in these market areas relative to areas closer to downtown Raleigh illustrate the increased draw of suburban housing since the COVID-19 pandemic began. Since the fourth quarter of 2019, the vacancy rate in the Franklin County, South Raleigh, and Johnston County market areas

have declined 2.5, 7.4, and 3.1 percentage points, respectively, more than the HMA average decline of 2.4 percentage points. Rent growth was very high throughout the HMA during the fourth quarter of 2021. Every Costar Group-defined market area within Wake County had annual increases in average rent of at least 19 percent. Annual apartment rent growth in Franklin and Johnston Counties was lower, at 11 and 15 percent, respectively. Although rent growth was relatively lower in these outlying counties during the fourth quarter of 2021 compared with market areas in Wake County, their rent increases were still the highest of any quarter since 2000.

The Costar Group-defined Downtown Raleigh market area has the highest average rent per square foot in the HMA, at \$1.63 during the fourth quarter of 2021, and the fourth highest average asking rent, at \$1,446. The average vacancy rate in this market area was 4.2 percent, down 6 percentage points from the fourth quarter of 2020—the largest decline in the HMA. The recovery of apartment market conditions in the Downtown Raleigh area was supported by the increased availability of in-person dining and entertainment relative to 2020 and by downtown workers returning to in-person work; during September 2021, 25 percent of workers were teleworking exclusively, down from 35 percent in September 2020 (Gallup).

The second highest average rent per square foot and average asking rent in the HMA is in the Costar Group-defined North Cary/Morrisville market area, at \$1.50 and \$1,514, respectively, during the fourth quarter of 2021. This market area is adjacent to the RTP, where many high-salary jobs are located. The average stabilized vacancy rate among apartment properties in this market area was 4.7 percent during the fourth quarter of 2021—the highest in the HMA. Although the North Cary/Morrisville area is near many high-wage jobs, a disproportionate number of these jobs can likely be performed remotely, allowing some workers to relocate to less expensive areas.

## Student Housing

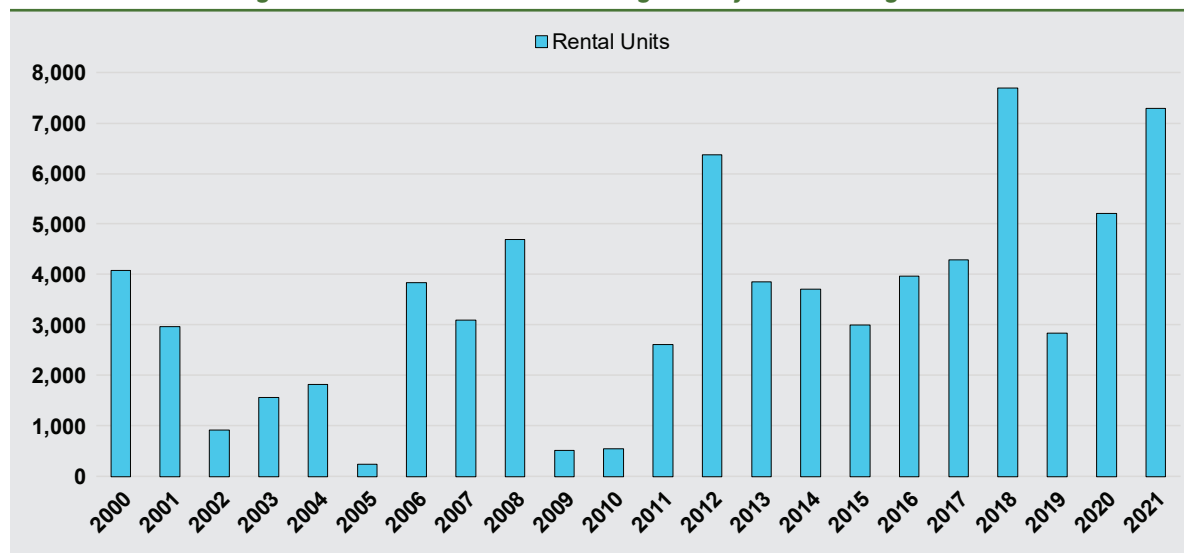
NCSU, in the Downtown Raleigh area, has a large impact on rental market conditions near the university. As of the fall of 2021, 31,000 students were

enrolled at NCSU. Approximately 9,400 reside in on-campus dormitories; most of the remaining 21,600 students reside in rental housing near the NCSU campus; many student apartments have been built to serve this market. Approximately 3,625 of these units, with a total of 10,200 beds, are within a mile of NCSU. The average vacancy rate of student apartments is lower than the HMA average, at 2.7 percent during the fourth quarter of 2021, down from 3.7 during the fourth quarter of 2020 (CoStar Group). Rent growth among these properties was much lower than in conventional apartment communities, increasing less than 1 percent, to an average rent of \$770 per bed during the fourth quarter of 2021. Student households account for an estimated 3 percent of all renter households in the HMA.

## Rental Construction Trends

Builders have responded to strong population growth and the absorption of new apartments with high levels of rental construction since the early 2010s. Rental construction, as measured by the number of units permitted, was moderate from 2000 through 2005, averaging 1,925 units annually, before increasing to an average of 3,875 units annually from 2006 through 2008. Following the Great Recession, apartment construction declined to very low levels from 2009 through 2010, averaging only 530 units permitted annually because of a soft rental market (Figure 10). Rental construction quickly rebounded, however, when 2,600 units were

**Figure 10. Annual Rental Permitting Activity in the Raleigh HMA**



Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2020 final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

permitted in 2011 and 6,375 units were permitted in 2012, the second highest annual level since 2000. Rental construction was generally stable from 2013 through 2017, averaging 3,750 units permitted annually, before increasing to 7,700 in 2018. Rental construction slowed to 2,825 units permitted in 2019 but returned to a high level of 5,200 units in 2020 despite the uncertainty and disruption caused by the COVID-19 pandemic. In 2021, approximately 7,275 apartment units were permitted, an increase of nearly 40 percent compared with the previous year (preliminary data). A resilient economy, strong population growth, and, most recently, high levels of rent growth induced apartment developers to continue high levels of rental construction in the HMA during the past 2 years.

## Current Rental Construction Activity

An estimated 9,500 apartments are under construction in the HMA. Approximately 90 percent of those units are in Wake County, with the remainder in Johnston County. The city of Raleigh accounts for approximately 45 percent of current apartment construction in the HMA, and 15 percent of rental construction is occurring in the city of Cary; no other municipality accounts for more than 10 percent of HMA rental construction

activity. The Eastern at North Hills, a 36-story, 376-unit apartment development in the city of Raleigh, is under construction and is an example of a property at the upper end of the apartment market. When completed in 2022, rents for one- and two-bedroom units are expected to start at \$1,900 and \$2,900, respectively. Bainbridge Aviation Crossing, a 298-unit apartment community, is an example of a more typical apartment property in the HMA and is in the city of Morrisville. Bainbridge Aviation Crossing was completed in late 2021; it offers one-, two-, and three-bedroom apartment units starting at \$1,650, \$1,800, and \$2,300, respectively. In addition to market-rate apartments, income-restricted rental housing is under construction in the HMA. Abbington Square, an 82-unit apartment community under construction in northeast Raleigh, will offer units at rents below market rate to families with incomes up to 60 percent of area median income.

Forecast

During the 3-year forecast period, demand is estimated for 16,200 rental units in the HMA (Table 9). Demand is expected to be evenly distributed among all years of the forecast period, although the large current pipeline of approximately 9,500 units under construction will meet almost all 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	16,200 Units
Under Construction	9,500 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.  
Source: Estimates by the analyst



# Terminology Definitions and Notes

## A. Definitions

<b>Building Permits</b>	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.
<b>Demand</b>	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.
<b>Distressed Sales</b>	Short sales and real estate owned (REO) sales.
<b>Existing Home Sales</b>	Include resale sales, short sales, and REO sales.
<b>Forecast Period</b>	1/1/2022–1/1/2025—Estimates by the analyst.
<b>Home Sales/ Home Sales Prices</b>	Includes single-family, townhome, and condominium sales.
<b>Net Natural Change</b>	Resident births minus resident deaths.

<b>Prime-Age Population</b>	The number of people ages 25 to 54 years.
<b>Poverty Rate</b>	The percentage of families that have pre-tax, pre-transfer incomes less than the poverty threshold, which varies by family size.
<b>Rental Market/ Rental Vacancy Rate</b>	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
<b>Resales</b>	Home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
<b>Stabilized Vacancy Rate</b>	The average apartment vacancy rate, excluding apartment buildings that opened during the past 18 months that have not reached 90-percent occupancy.
<b>Student Apartments</b>	Privately owned and operated apartments targeted at college students. These apartments are typically rented by the bedroom instead of by the unit.

## B. Notes on Geography

<b>1.</b>	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 April 10, 2018.
<b>2.</b>	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
<b>3.</b>	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.

**D. Photo/Map Credits**

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