

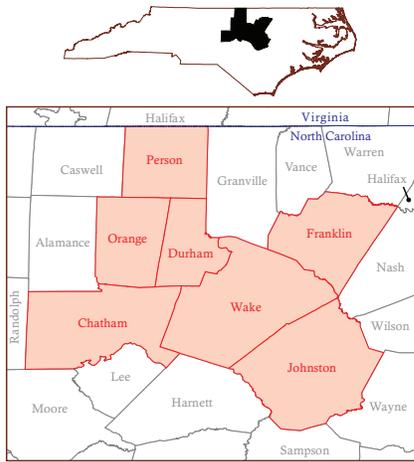


# Raleigh-Durham, North Carolina

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2014



## Housing Market Area



The Raleigh-Durham Housing Market Area (HMA), which is a combination of the Raleigh-Cary, NC and the Durham-Chapel Hill, NC Metropolitan Statistical Areas (MSAs), includes seven counties in central North Carolina. Raleigh, the largest city in the HMA and home to 423,200 people in 2012, is the capital of North Carolina. The Raleigh-Durham HMA is often referred to as the “Research Triangle” because it contains three large research universities. For purposes of this report, the HMA is divided into two submarkets: the Raleigh submarket, which includes Franklin, Johnston, and Wake Counties, and the Durham submarket, which includes Chatham, Durham, Orange, and Person Counties.

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## Summary

### Economy

Economic conditions in the Raleigh-Durham HMA improved steadily during the past 3 years, led by job growth in the professional and business services sector. During 2013, nonfarm payrolls increased by 14,200 jobs, or 1.8 percent, to 819,000. By comparison, nonfarm payrolls increased by 21,200 jobs, or 2.7 percent, during 2012. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 2.3 percent annually.

### Sales Market

The sales housing market in the HMA is currently balanced, with an overall estimated vacancy rate of 1.9 percent, down from 2.6 percent in 2010. During 2013, new and existing home sales increased 29 percent, to 30,400 homes, and the average home sales price increased

3 percent, to \$253,900, from 2012. During the next 3 years, demand is expected for 36,450 new sales units (Table 1). A portion of the 20,400 other vacant units in the HMA may reenter the market and satisfy some of the demand.

### Rental Market

The rental housing market in the HMA is currently balanced, with an estimated vacancy rate of 6.1 percent, down from 8.9 percent in 2010. The apartment market in the HMA is tight, with a vacancy rate of 4.2 percent in the fourth quarter of 2013 (Reis, Inc.). During the next 3 years, demand is expected for 16,625 new market-rate rental units (Table 1). The approximately 6,325 rental units currently under construction will satisfy a portion of that demand.

**Table 1. Housing Demand in the Raleigh-Durham HMA, 3-Year Forecast, January 1, 2014, to January 1, 2017**

	Raleigh-Durham HMA		Raleigh Submarket		Durham Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	36,450	16,625	27,850	11,650	8,600	4,975
Under construction	2,980	6,325	2,350	3,425	630	2,900

*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, 2014. A portion of the estimated 20,400 other vacant units in the HMA will likely satisfy some of the forecast demand.*

*Source: Estimates by analyst*

# Economic Conditions

Economic conditions in the Raleigh-Durham HMA have improved since 2011, after 2 years of economic decline. From 2004 through 2008, nonfarm payrolls increased by an average of 22,800 jobs, or 3.1

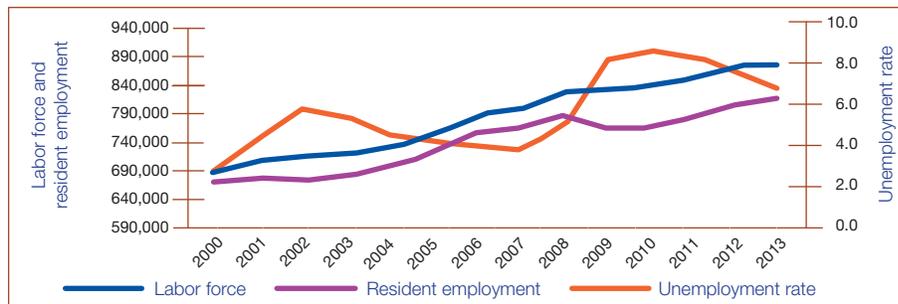
**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Raleigh-Durham HMA, by Sector**

	12 Months Ending		Absolute Change	Percent Change
	December 2012	December 2013		
Total nonfarm payroll jobs	804,800	819,000	14,200	1.8
Goods-producing sectors	96,500	94,900	-1,600	-1.7
Mining, logging, & construction	36,500	33,900	-2,600	-7.1
Manufacturing	60,000	61,000	1,000	1.7
Service-providing sectors	708,300	724,100	15,800	2.2
Wholesale & retail trade	114,100	115,100	1,000	0.9
Transportation & utilities	14,500	14,800	300	2.1
Information	21,200	22,100	900	4.2
Financial activities	38,900	39,100	200	0.5
Professional & business services	133,100	137,800	4,700	3.5
Education & health services	121,500	124,800	3,300	2.7
Leisure & hospitality	78,900	81,100	2,200	2.8
Other services	31,600	32,600	1,000	3.2
Government	154,500	156,700	2,200	1.4

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2012 and December 2013.

Source: U.S. Bureau of Labor Statistics

**Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Raleigh-Durham HMA, 2000 Through 2013**



Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Raleigh-Durham HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Duke University and Duke University Health System	Education and health services	33,750
University of North Carolina at Chapel Hill	Government	15,500
International Business Machines Corporation	Information	14,000
WakeMed Health & Hospitals	Education and health services	8,425
North Carolina State University	Government	8,125
Rex Healthcare	Education and health services	5,400
SAS Institute Inc.	Information	5,150
Cisco Systems, Inc.	Information	4,800
GlaxoSmithKline plc.	Education and health services	4,000

Note: Excludes local school districts, local governments, and state government.

Sources: Greater Durham Chamber of Commerce; Wake County Center for Economic Development; employers listed

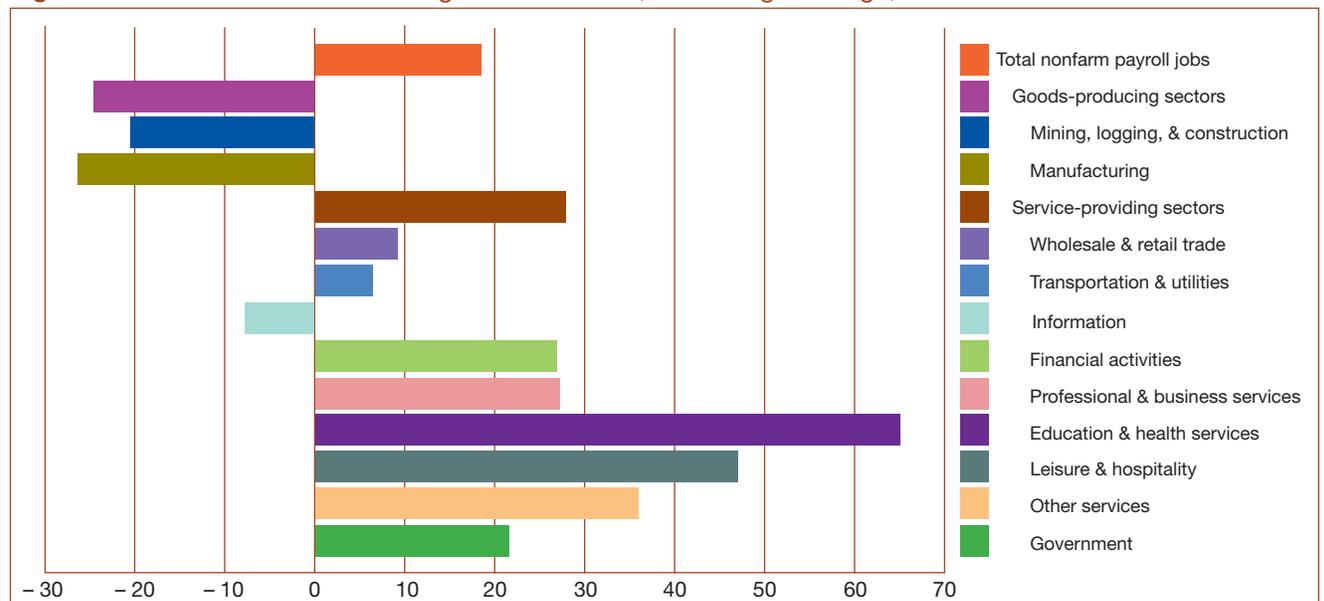
percent, annually. By contrast, during 2009 and 2010, nonfarm payrolls decreased by an average of 16,900 jobs, or 2.1 percent, annually. Economic recovery began in 2011 and continued in 2012 with nonfarm payroll increases of 12,000 and 21,200 jobs, or 1.6 and 2.1 percent, respectively. In 2013, the number of nonfarm payrolls exceeded the prerecession peak, after increasing by 14,200 jobs, or 1.8 percent, to an average of 819,000 jobs (Table 2). During the same period, the unemployment rate decreased from 7.6 to 6.6 percent. The current unemployment rate is an improvement from an average of 8.4 percent annually from 2009 through 2011 but remains significantly higher than the prerecession low of 3.7 percent in 2007. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2013.

Three large universities—Duke University (Duke), The University of North Carolina at Chapel Hill (UNC-Chapel Hill), and North Carolina State University (NC State)—are in the HMA. Duke and UNC-Chapel Hill, in the Durham submarket, are associated with large teaching hospitals and are the largest employers in the HMA (Table 3). NC State, in the Raleigh submarket, is the fifth largest employer in the HMA. From

2009 through 2013, faculty employment increased by 370 and 190 jobs, or 13 and 6 percent, at Duke and UNC-Chapel Hill, respectively, but faculty employment at NC State did not change significantly. The presence of these research-focused universities in the HMA has led indirectly to job growth with the founding of companies like SAS Institute Inc. and Quintiles Inc., which began as research projects at the universities and currently employ 5,150 and 1,500 people, respectively, in the HMA. Since 2000, the education and health services sector, which includes private universities and healthcare providers like Duke and the Duke University Health System, is the only sector that has added jobs every year and has grown more than any other sector, in both absolute and percentage terms (Figure 2). During 2012 and 2013, this sector increased by 3,800 and 3,300 jobs, or 3.2 and 2.7 percent,

respectively, to 124,800 jobs in 2013. 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. The RTP, which is in an unincorporated area between the cities of Raleigh and Durham, is home to more than 170 organizations that employ a combined 50,000 people. Major tenants include International Business Machines (IBM) Corporation, the third largest employer in the HMA with 14,000 employees. Cisco Systems, Inc., and GlaxoSmithKline plc., with approximately 4,800 and 4,000 employees, respectively, are also at the RTP. During 2013, Syngenta AG, a biotechnology company, and Nimble Storage, Inc., a software company, added 150 and 100 jobs, respectively, at the RTP.

**Figure 2.** Sector Growth in the Raleigh-Durham HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

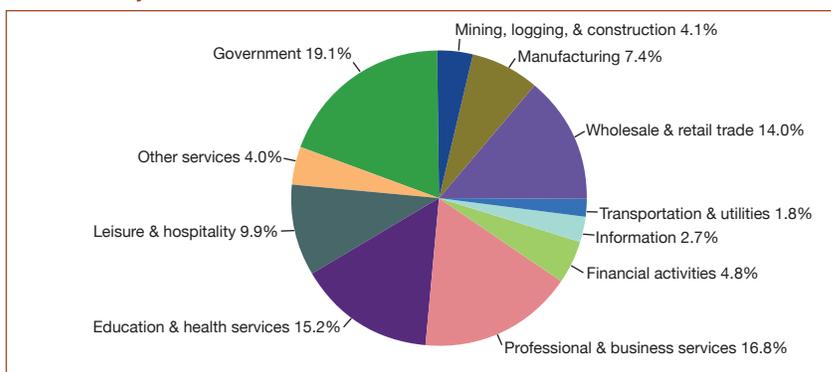
The professional and business services sector is the largest private sector in the HMA and the fastest growing sector since 2010 (Figure 3). After declining by an annual average of 4,000 jobs, or 3.2 percent, during 2008 and 2009, the sector increased by an average of 5,200 jobs, or 4.2 percent, annually from 2010 through 2012. During 2013, the professional and business services sector increased by 4,700 jobs, or 3.5 percent, to 137,800 jobs. Approximately one-half of the professional and business services sector payrolls are in the professional, scientific, and technical services subsector, which includes law, accounting, engineering, and architectural firms. Evalueserve Inc., a provider of business research and analytics, and Ipreo Holdings LLC, a provider of market intelligence and communication tools for investment banks, plan to establish new centers in the Raleigh submarket that are expected to create 400 and 250 jobs, respectively, by the end of the 3-year forecast period.

The largest payroll sector in the Raleigh-Durham HMA, the government sector, increased by 2,200 jobs, or 1.4 percent, to 156,700 jobs in

2013. Of these jobs, 81,900, or more than one-half, are in the state government subsector, which includes UNC-Chapel Hill and NC State. Payrolls in this subsector declined by an average of 1,300 jobs, or 1.5 percent, from 2010 through 2012 because of hiring freezes caused by declines in government revenues. During 2013, the state government subsector added 600 jobs, a 0.7-percent increase. The RTP is home to the National Institute of Environmental Health Sciences and the U.S. Environmental Protection Agency's key center for air pollution research. Each of these federal organizations employs approximately 1,400 people. The federal government subsector totaled 11,000 jobs in 2013, down 300 jobs, or 1.5 percent, from 2012.

Tobacco manufacturing was historically the largest industry in the HMA. For example, approximately one-half of all American-made cigarettes in 1944 were produced in the city of Durham. The industry declined, however, in the second half of the 20th century, and the last tobacco factory in the city of Durham closed in 2001. Textile manufacturing was another major industry in the HMA that declined during the same period. The development of the RTP revitalized manufacturing, leading to the establishment of specialized, capital-intensive manufacturing. Major manufacturers in the HMA include Cree, Inc., a leading manufacturer of LED (light-emitting diode) light bulbs with 2,000 employees, and AW North Carolina, Inc., a manufacturer of automatic transmissions with 1,100 employees. The number of new manufacturing jobs created since 2000 has not been enough to offset the

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



Note: Based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

losses of traditional manufacturing jobs, which declined because of increased international competition, decreased domestic demand, and the use of labor-saving technology. The number of payrolls in the manufacturing sector has declined 27 percent since 2000 but increased in 2013 by 1,000 jobs, or 1.7 percent.

During the forecast period, nonfarm payrolls are expected to increase by an average of 18,900 jobs, or 2.3 percent, annually, with the growth rate increasing each year. The education and health services, professional and business services, and leisure and hospitality sectors are expected to lead growth.

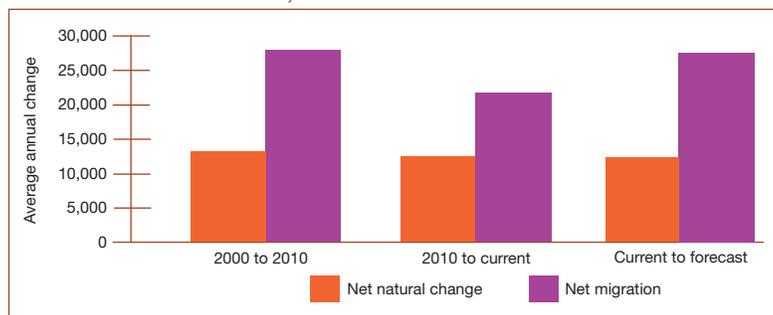
## Population and Households

As of January 1, 2014, the estimated population of the Raleigh-Durham HMA was more than 1.76 million, an average increase of approximately 34,150, or 2.0 percent, annually from the April 1, 2010 population of 1.63 million. (Tables DP-1, DP-2, and DP-3, at the end of this report, provide information on population growth in the HMA and in each submarket from 2000 to the current date.) Because of a labor market that is stronger than the national average and a moderate cost of living, net in-migration comprised approximately two-thirds of the population growth in the HMA (Figure 4). About 70 percent of the population in the HMA, or 1.23

million, currently live in the Raleigh submarket, and 535,600 reside in the Durham submarket. The population of the HMA grew rapidly from 2004 through 2008, by an average of 51,550, or 3.6 percent, annually. More than 80 percent of this growth occurred in the Raleigh submarket, which grew at an average of 4.3 percent annually during the same period. Because a weak labor market and the foreclosure crisis hampered residential mobility, the rate of population growth in the HMA slowed to 2.7 percent in 2009 and 2.1 percent in 2010. From 2000 to 2010, the Raleigh-Cary, NC MSA, which is conterminous with the Raleigh submarket, was the fourth fastest growing MSA in the nation.

Since 2010, population growth in the Raleigh and Durham submarkets has averaged 25,750 and 8,325 people annually, respectively. During this time, the share of total population growth occurring in the Durham submarket has increased from less than 20 percent to approximately 25 percent of total population growth in the HMA. This shift in population growth has been because of the commercial

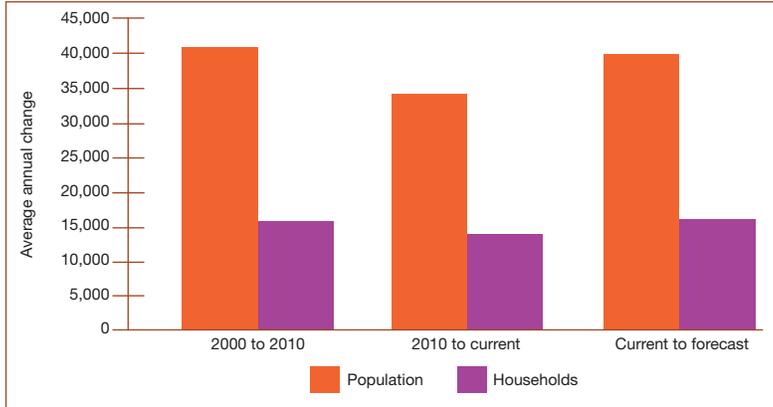
**Figure 4.** Components of Population Change in the Raleigh-Durham HMA, 2000 to Forecast



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

**Population and Households** *Continued*

**Figure 5. Population and Household Growth in the Raleigh-Durham HMA, 2000 to Forecast**



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

**Figure 6. Number of Households by Tenure in the Raleigh Submarket, 2000 to Current**



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

**Figure 7. Number of Households by Tenure in the Durham Submarket, 2000 to Current**



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

and residential revitalization of downtown Durham, which has led to increased in-migration. Because of stronger forecast employment growth, the population of the HMA is expected to grow at an average annual rate of 40,000, or 2.2 percent, during the 3-year forecast period.

The HMA is currently home to an estimated 683,900 households, with 469,200 in the Raleigh submarket and 214,650 in the Durham submarket. From 2000 to 2010, annual household growth in the Raleigh and Durham submarkets averaged 12,400 and 3,375 households, or 3.5 and 1.8 percent, respectively. Since 2010, household growth has slowed to 10,300 and 3,250 households, or 2.3 and 1.6 percent, respectively (Figure 5). During the same period, the homeownership rate has declined by 2.3 and 2.0 percentage points, to 64.5 and 58.1 percent, respectively, in the Raleigh and Durham submarkets (Figures 6 and 7).

The number of households in the HMA is expected to grow by 16,050, or 2.3 percent, annually during the next 3 years, to 732,100 households. The number of households in the Raleigh and Durham submarkets is expected to grow by 12,250 and 3,825, to 506,000 and 226,100 households, respectively.

# Housing Market Trends

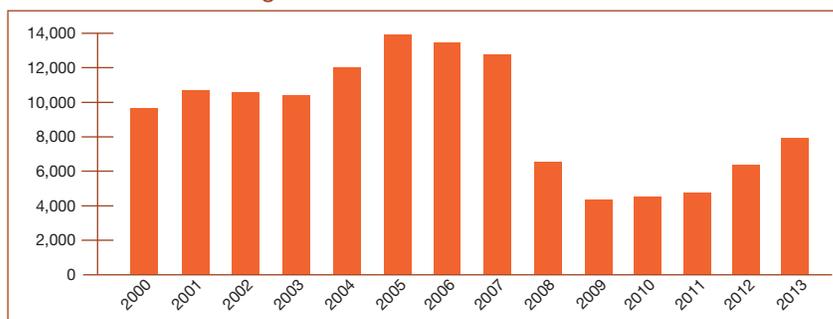
## Sales Market—Raleigh Submarket

The sales housing market in the Raleigh submarket is currently balanced, with conditions significantly improved from 2008 through 2011, when the housing crisis and weak economy caused soft conditions. The current estimated sales vacancy rate is 1.9, down from 2.5 percent in 2010. The decline reflects increased demand as a result of several factors, including household and economic growth, low interest rates, and homeownership becoming more attractive to potential homebuyers. During 2013, sales of existing single-family homes, townhomes, and condominiums (hereafter, existing homes) in the submarket totaled nearly 16,750, an increase of 4,125 homes, or 33 percent, from the previous year (Metrostudy, A Hanley Wood Company). Existing home sales peaked from 2005 through 2007, averaging 21,550 a year, and declined by an average of 2,700 homes, or 16 percent, annually from 2008 through 2011. The average existing home sales price was \$237,400 during 2013, up nearly 1 percent from 2012. The average existing home sales price was relatively stable, at \$231,700, from 2010 through 2012 after declining 5 percent, to \$217,000, in 2009. During 2013, condominiums represented 4.4 percent of all existing home sales.

Foreclosures do not significantly affect existing home prices within the submarket. As of December 2013, 3.7 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status, down from 4.6 percent during December 2012 (Black Knight Financial Services, Inc.). By comparison, 5.6 percent of all home loans nationally were similarly distressed or in REO status in December 2013. Because of the relatively few distressed mortgages in the submarket, the effect of institutional investors on the sales market is moderate. Investment purchases in 2013 accounted for 20 percent of total home sales in the Raleigh-Durham HMA, up from 18 percent in 2012 but less than the 31 percent of total home sales nationally (Metrostudy, A Hanley Wood Company).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, increased in the Raleigh submarket during the past year because of increases in the number and average price of new homes sold. During 2013, the number of single-family homes permitted increased by 1,625, or 25 percent, from the previous year, to 8,050 homes permitted (preliminary data). Single-family construction peaked from 2004 through 2007 at an average of 13,100 homes permitted, then declined by an average of 4,950 homes, or 39 percent, a year during 2008 and 2009 (Figure 8). This decline in construction was in response to slowing population growth, increased unemployment, and tightened lending standards. Single-family permitting reached a low of 4,375 homes in 2009 and gradually increased by an average

**Figure 8.** Single-Family Homes Permitted in the Raleigh Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Sales Market—Raleigh Submarket Continued

of 190 homes, or 4 percent, annually in 2010 and 2011. Single-family home construction began to increase quickly in 2012, growing by 1,675 homes permitted, or 35 percent, as a result of increases in the number and average price of new and existing homes sold. In addition to the number of single-family homes permitted, from 2000 through 2009, approximately 3,825 condominium units, or 12 percent of the multifamily units permitted in the submarket, were intended for owner occupancy, but no significant condominium construction has occurred since 2010. Approximately 5,700 new homes sold during 2013, an increase of 1,075, or 23 percent, compared with the number sold during 2012.

New home sales are still well below the peak of 13,000 new homes sold during 2006.

New home construction is mostly occurring in subdivisions outside the Interstate 540 loop around the city of Raleigh. During 2013, the average sales price of a new home in the submarket averaged \$300,700, an increase of 7 percent from 2012 and of 2 percent from the previous peak of \$294,200 during 2008. New homes at Traditions at Heritage, a subdivision in Wake Forest, a town northeast of the city of Raleigh, began selling in mid-2013 at prices between \$240,000 and \$600,000. When complete, the development will include more than 700 homes. New home sales are expected to increase during the 3-year forecast period.

During the forecast period, demand is expected for 27,850 new homes in the submarket, with increased demand in the second and third years (Table 1). The 2,350 homes currently under construction and a portion of the 12,800 other vacant units in the submarket that may reenter the market will satisfy some of the demand. Demand is expected to be greatest in the \$200,000-to-\$249,999 price range (Table 4).

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Raleigh Submarket, January 1, 2014, to January 1, 2017

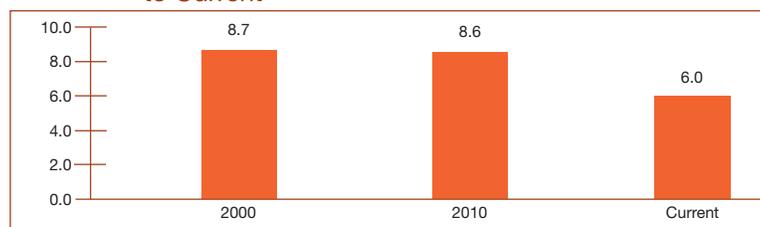
Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	1,950	7.0
150,000	199,999	5,025	18.0
200,000	249,999	5,575	20.0
250,000	299,999	4,175	15.0
300,000	349,999	3,900	14.0
350,000	449,999	3,625	13.0
450,000	599,999	2,225	8.0
600,000	and higher	1,400	5.0

Note: The 2,350 homes currently under construction and a portion of the estimated 12,800 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

## Rental Market—Raleigh Submarket

**Figure 9.** Rental Vacancy Rates in the Raleigh Submarket, 2000 to Current



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

Rental housing market conditions in the Raleigh submarket are currently balanced, with an estimated vacancy rate of 6.0 percent, down from 8.6 percent in 2010 (Figure 9). The market tightened rapidly in 2010 and 2011 because a weak economy and stricter lending requirements contributed to a decreased homeownership rate and an increased demand for rental

## Housing Market Trends

### Rental Market—Raleigh Submarket Continued

housing. The vacancy rate decreased at a slower pace in 2012 and 2013, when more new apartments were completed. Approximately 59 percent of all renter households in the submarket occupy apartments, which have a lower vacancy rate than the overall rental market. The apartment vacancy rate in the submarket was 4.5 percent during the fourth quarter of 2013, up from 4.2 percent during the fourth quarter of 2012 (Reis, Inc.) During the same period, the average asking rent increased 3 percent, to \$805. Vacancy rates were lowest, at 2.0 percent, southwest of the city of Raleigh, including the cities of Cary and Apex, because of minimal inventory growth since 2011 and were highest in the Reis-defined Northeast Raleigh area, at 7.2 percent. The average asking rents for one-, two-, and three-bedroom units in the submarket are \$770, \$965, and \$1,150, respectively (Real Data).

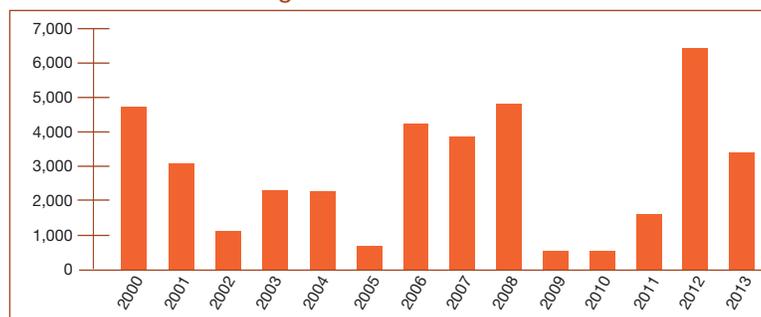
Multifamily construction activity, as measured by the number of units permitted, decreased during 2013 because of the excess supply of units recently built or under construction. During 2013, approximately 3,425 units were permitted, a decline of

3,025 units, or 47 percent, compared with the number permitted during 2012 (preliminary data). Multifamily construction averaged 4,300 units annually from 2006 through 2008, then declined sharply and averaged 540 units annually during 2009 and 2010 because of high rental vacancy rates, sharp decreases in condominium construction, and strict multifamily lending standards (Figure 10). Condominium construction averaged 390 units annually from 2006 through 2008 but averaged only 70 units during 2009 and 2010. In 2011, multifamily construction increased by 1,050 units, or 188 percent, to 1,625 units permitted as developers sought to take advantage of increased rental demand and increasing average rents.

An estimated 3,425 multifamily units are currently under construction in the Raleigh submarket. SkyHouse Raleigh, a 23-story apartment development in downtown Raleigh, started construction in late 2013 and is expected to be complete by late 2014. Rents at the 320-unit development are expected to start at \$1,200 for a studio apartment. Another apartment property in downtown Raleigh, the 243-unit 401 Oberlin, is expected to begin leasing its first units in mid-2014 at rents beginning at \$1,145 and \$1,470 for one- and two-bedroom units, respectively.

During the next 3 years, demand is expected for 11,650 new market-rate rental units in the submarket. The 3,425 units currently under construction will meet a portion of this demand (Table 1). Table 5 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

**Figure 10. Multifamily Units Permitted in the Raleigh Submarket, 2000 Through 2013**



Notes: Excludes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Rental Market—Raleigh Submarket Continued

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Raleigh Submarket, January 1, 2014, to January 1, 2017

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
800 to 999	2,875	950 to 1,149	2,350	1,150 to 1,349	520
1,000 to 1,199	1,300	1,150 to 1,349	1,825	1,350 to 1,549	290
1,200 to 1,399	520	1,350 to 1,549	520	1,550 to 1,749	230
1,400 to 1,599	260	1,550 to 1,749	260	1,750 to 1,949	45
1,600 or more	260	1,750 or more	260	1,950 to 2,149	35
				2,150 or more	35
<b>Total</b>	<b>5,250</b>	<b>Total</b>	<b>5,250</b>	<b>Total</b>	<b>1,175</b>

Notes: Numbers may not add to totals because of rounding. The 3,425 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

## Sales Market—Durham Submarket

The sales housing market in the Durham submarket is currently balanced, with an estimated vacancy rate of 2.0 percent, down from 2.6 percent in 2010. As in the Raleigh submarket, sales market conditions in the Durham submarket tightened because of economic and household growth and improved access to home loans. During 2013, the number of existing home sales totaled 6,350, an increase of 1,425 homes, or 29 percent, from the previous year. Existing home sales peaked at 8,025 in 2006, then declined by an average of 780 homes, or 12 percent, annually from 2007 through 2011. Existing home sales began to recover in 2012, rising by 810, or 20 percent. Although the number of existing homes sold remains less than the prerecession peak, the average sales price of an existing home has increased since 2005. Existing home sales prices increased an average of 4 percent annually from 2006 through 2007 and from 2010 through 2011. Home prices remained unchanged in 2008 and 2009 as the labor market and economy weakened. During 2013, the average existing home sales price increased by \$1,800, or 1 percent,

compared with the average price during 2012, to \$241,800. The submarket has a low rate of distressed loans and REO properties—4.1 percent of home loans in December 2013 were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 5.2 percent during December 2012. Investment purchases accounted for 19 percent of total home sales in the submarket, up from 16 percent during the previous 12 months.

Single-family home construction, as measured by the number of homes permitted, increased during 2013 because of increases in home sales and the average home sales price. During 2013, 1,975 single-family homes were permitted, an increase of 360 homes, or 22 percent, from the previous year (preliminary data). Single-family homebuilding averaged 3,600 homes annually from 2000 through 2006, then decreased sharply, with average annual declines of 720 homes, or 27 percent, from 2007 through 2009 (Figure 11). Single-family home construction increased at an average of 90 homes, or 7 percent, annually from 2010 through 2012 but remains

## Housing Market Trends

Sales Market—Durham Submarket Continued

well below peak construction levels. Approximately 1,625 new homes sold during 2013, an increase of 250 homes, or 18 percent, compared with the number sold during 2012. New home sales are still well below the peak of 2,825 new homes sold annually during 2005 and 2006.

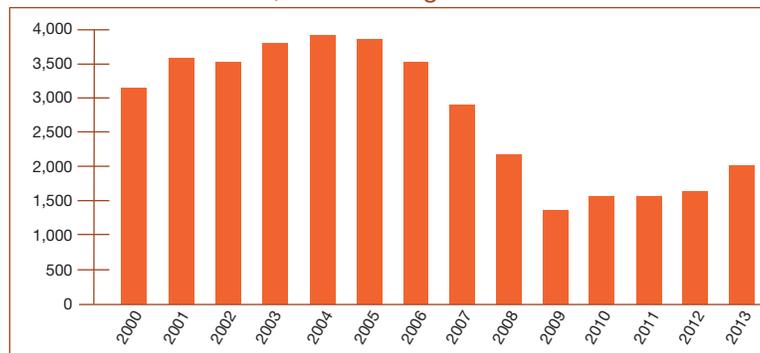
During 2013, approximately 60 percent of all single-family homes permitted in this submarket were in Durham County. The average sales price of a new home in the submarket was \$292,500, a 14-percent increase from 2012. The average price of a new home sold during 2013 nearly matched the peak of \$294,900 during 2007. The Meadows subdivision in

the Brightleaf at the Park community is currently under construction. When complete, it will contain 214 homes at prices starting at \$210,000.

Condominiums comprise a slightly greater share of the existing sales market in the Durham submarket than in the Raleigh submarket. During 2013, condominiums represented 5.2 percent of all existing home sales in the submarket. The number of existing condominiums sold increased by 100, or 44 percent, to 330, and the average price increased 19 percent, to \$201,800. Unlike in the Raleigh submarket, condominium construction has continued since 2010 in the Durham submarket. From 2000 through 2009, condominiums comprised about 15 percent of all multifamily units permitted in the submarket. Since 2010, approximately 7 percent of all multifamily units permitted have been condominiums. A more recent development, 140 West Franklin, with 140 condominium and townhome units in downtown Chapel Hill, was completed in April 2013. Two-bedroom condominiums in this building start in the mid-\$400,000 range.

During the 3-year forecast period, demand is expected for 8,600 new homes in the submarket (Table 1). The 630 homes currently under construction and a portion of the 7,600 other vacant units in the submarket that may reenter the market will satisfy some of the forecast demand. Demand is expected to be greatest in the \$250,000-to-\$349,999 price range (Table 6). As the economy gradually improves, demand is expected to increase during the second and third years of the forecast period.

**Figure 11.** Single-Family Homes Permitted in the Durham Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

**Table 6.** Estimated Demand for New Market-Rate Sales Housing in the Durham Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
100,000	149,999	950	11.0
150,000	199,999	1,550	18.0
200,000	249,999	1,550	18.0
250,000	349,999	2,075	24.0
350,000	449,999	1,450	17.0
450,000	599,999	770	9.0
600,000	and higher	260	3.0

Note: The 630 homes currently under construction and a portion of the estimated 7,600 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

## Rental Market—Durham Submarket

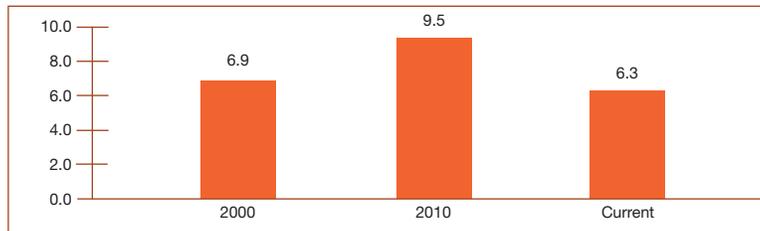
The rental housing market in the Durham submarket is balanced, with a current estimated vacancy rate of 6.3 percent, down from 9.5 percent in 2010 (Figure 12). Conditions improved at a similar rate as in the Raleigh submarket because of a relatively weak economy and a shift away from homeownership. The Durham submarket has a higher estimated rental vacancy rate in single-family and mobile homes, however, which together comprise approximately 38 percent of the rental market (2012 American Community Survey). During the fourth quarter of 2013, the apartment vacancy rate in the submarket was 3.8 percent, down from 4.8 percent during the fourth quarter of 2012 (Reis, Inc.). During the same period, the average apartment asking rent increased 3 percent, to \$875. Vacancy rates were lowest in

the city of Carrboro, at 2.6 percent, because virtually no apartment construction has occurred there since 2000 and highest in the Reis-defined West Durham area of the submarket, at 5.2 percent. The average asking rents during the fourth quarter of 2013 for one-, two-, and three-bedroom apartments were \$770, \$965, and \$1,150, respectively (Real Data).

Multifamily building activity, as measured by the number of units permitted, increased during the past year. During 2013, approximately 2,925 multifamily units were permitted, up 1,200 units, or 70 percent, from 2012 (preliminary data). From 2005 through 2011, multifamily construction fluctuated with no upward or downward trend, averaging 580 units permitted annually (Figure 13). Apartment construction in the Durham submarket increased in 2012 and 2013 as developers reacted to increasing occupancy and rents. Approximately 2,900 apartment units are currently under construction. Crescent Ninth Street, a 303-unit, market-rate complex in the northern part of the city of Durham, is under construction and expected to open in the summer of 2014. Rents are advertised starting at \$1,400 for a one-bedroom apartment.

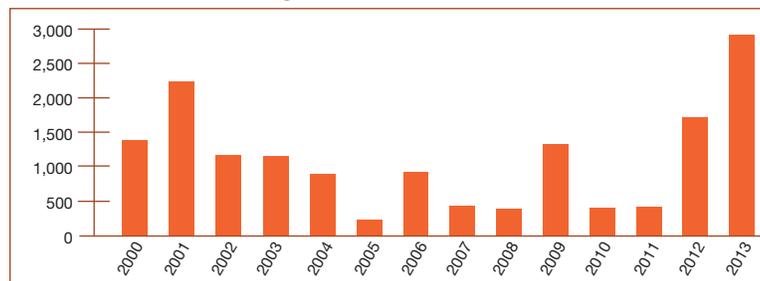
Students at Duke and UNC-Chapel Hill significantly affect the rental market in the submarket, accounting for an estimated 10 percent of all rental households. 605 West, a 340-unit student housing apartment development currently under construction next to Duke in the city of Durham, is expected to open in the summer of 2014. Rents at this

**Figure 12.** Rental Vacancy Rates in the Durham Submarket, 2000 to Current



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

**Figure 13.** Multifamily Units Permitted in the Durham Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

## Housing Market Trends

Rental Market—Durham Submarket Continued

complex are advertised starting at \$1,275 and \$1,990 for one- and two-bedroom units, respectively.

During the next 3 years, demand is expected for 4,975 units. The 2,900

units currently under construction will meet a portion of this demand (Table 1). Table 7 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

**Table 7.** Estimated Demand for New Market-Rate Rental Housing in the Durham Submarket, January 1, 2014, to January 1, 2017

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
800 to 999	800	1,000 to 1,199	900	1,200 to 1,399	260
1,000 to 1,199	600	1,200 to 1,399	780	1,400 to 1,599	260
1,200 to 1,399	500	1,400 to 1,599	220	1,600 to 1,799	60
1,400 or more	100	1,600 to 1,799	110	1,800 to 1,999	60
		1,800 to 1,999	110	2,000 to 2,199	50
		2,000 or more	110	2,200 or more	50
<b>Total</b>	<b>2,000</b>	<b>Total</b>	<b>2,250</b>	<b>Total</b>	<b>750</b>

Notes: Numbers may not add to totals because of rounding. The 2,900 units currently under construction will satisfy some of the estimated demand.  
Source: Estimates by analyst

## Data Profiles

**Table DP-1.** Raleigh-Durham HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	668,016	767,935	818,600	1.4	2.2
Unemployment rate	2.7%	8.6%	6.6%		
Nonfarm payroll jobs	693,200	771,600	819,000	1.1	2.0
Total population	1,223,564	1,634,847	1,763,000	2.9	2.0
Total households	475,182	633,053	683,900	2.9	2.1
Owner households	307,995	409,151	427,500	2.9	1.2
Percent owner	64.8%	64.6%	62.5%		
Renter households	167,187	223,902	256,400	3.0	3.7
Percent renter	35.2%	35.4%	37.5%		
Total housing units	511,116	688,855	729,300	3.0	1.5
Owner vacancy rate	2.3%	2.6%	1.9%		
Rental vacancy rate	8.0%	8.9%	6.1%		
Median Family Income	\$59,500	NA	NA	NA	NA

NA = Data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2013. Median Family Income is for 1999.

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

**Table DP-2. Raleigh Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	797,071	1,130,490	1,227,000	3.6	2.2
Total households	306,478	430,577	469,200	3.5	2.3
Owner households	207,536	287,501	302,700	3.3	1.4
Percent owner	67.7%	66.8%	64.5%		
Rental households	98,942	143,076	166,500	3.8	4.1
Percent renter	32.3%	33.2%	35.5%		
Total housing units	329,513	466,095	498,500	3.5	1.8
Owner vacancy rate	2.5%	2.5%	1.9%		
Rental vacancy rate	8.7%	8.6%	6.0%		
Median Family Income	NA	\$76,900	\$75,300	NA	- 0.5

NA = Data not available.

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 2009 and 2013.

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

**Table DP-3. Durham Submarket Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	426,493	504,357	535,600	1.7	1.6
Total households	168,704	202,476	214,650	1.8	1.6
Owner households	100,459	121,650	124,800	1.9	0.7
Percent owner	59.5%	60.1%	58.1%		
Rental households	68,245	80,826	89,850	1.7	2.9
Percent renter	40.5%	39.9%	41.9%		
Total housing units	181,603	222,760	230,800	2.1	0.9
Owner vacancy rate	1.9%	2.6%	2.0%		
Rental vacancy rate	6.9%	9.5%	6.3%		
Median Family Income	NA	\$65,500	\$67,700	NA	0.8

NA = Data not available.

Notes: Numbers may not add to totals because of rounding. Median Family Incomes are for 2009 and 2013.

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

## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 1/1/2014—Analyst’s estimates  
 Forecast period: 1/1/2014–1/1/2017—  
 Analyst’s estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

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

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

**Building Permits:** Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example,

some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_Raleigh-DurhamNC\\_14.pdf](http://www.huduser.org/publications/pdf/CMARtables_Raleigh-DurhamNC_14.pdf).

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

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

For additional reports on other market areas, please go to [www.huduser.org/portal/ushmc/chma\\_archive.html](http://www.huduser.org/portal/ushmc/chma_archive.html).