



MULTIFAMILY REPORT

The Triangle Builds

November 2023

Job Market Outpaces Nation

Construction Activity Still Elevated

T3, YoY Rent Movement Negative

RALEIGH MULTIFAMILY



Deliveries grow, rent growth slows down

Despite starting 2023 on a strong note, Raleigh-Durham's multifamily market felt the impact of the cooling economy in the third quarter. Rates contracted 0.2%, to an overall average of \$1,597, 10 basis points below the national rate. On a year-over-year basis, rent development in the metro was -1.5%, while the national rate remained positive, at 0.8%.

Unemployment in the Triangle stagnated at 3.2% between June and August, according to preliminary data from the Bureau of Labor Statistics. However, job growth was 60 basis points above the national average, at 2.6% as of July. The most new positions were added in professional and business services and education and health services, accounting for a combined 15,300 jobs. In the third quarter, Apple filed development plans for the first phase of its Research Triangle campus, which is slated to add 3,000 positions at full buildout.

Deliveries burgeoned, with a total of 5,167 units coming online in the first three quarters of the year, already surpassing 2022's total (3,526 units) during the same time period. However, transaction activity softened, with only \$1 billion in multifamily assets traded during the first nine months of 2023. Although significantly higher than the \$189,597 national average, the per-unit price took a slide, to \$212,624.

Market Analysis | November 2023

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Recent Raleigh Transactions

The Villages at Olde Towne



City: Raleigh, N.C.
Buyer: AIR Communities
Purchase Price: \$85 MM
Price per Unit: \$234,722

Legacy at Wakefield



City: Raleigh, N.C.
Buyer: CBRE Investment
Management
Purchase Price: \$80 MM
Price per Unit: \$216,598

Stonehenge



City: Raleigh, N.C.
Buyer: Two Sigma
Purchase Price: \$80 MM
Price per Unit: \$176,991

Manor Six Forks

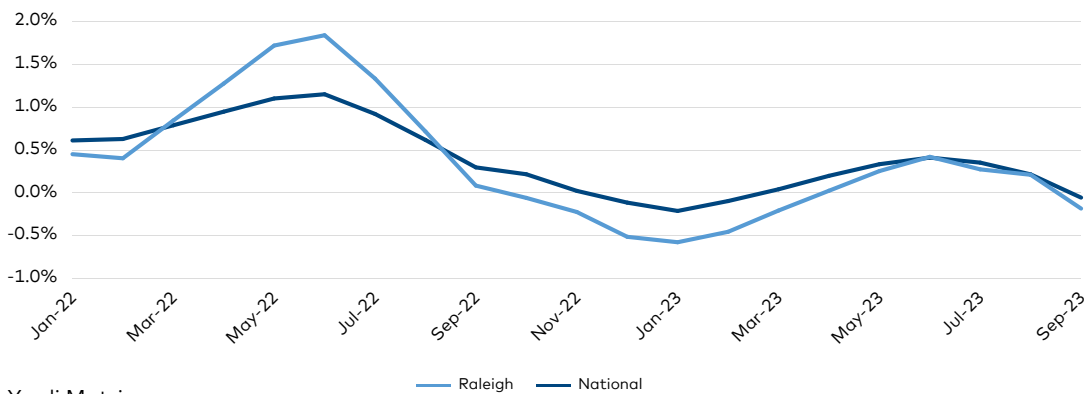


City: Raleigh, N.C.
Buyer: The Dinerstein Cos.
Purchase Price: \$74 MM
Price per Unit: \$249,161

RENT TRENDS

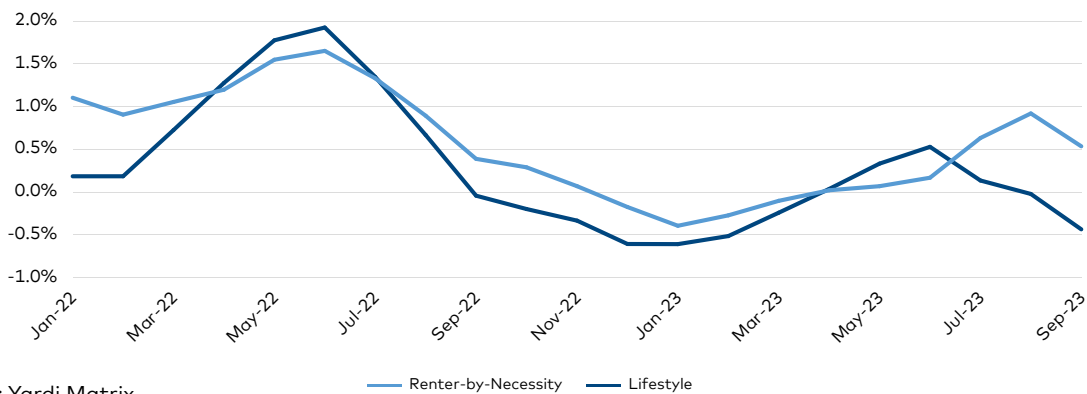
- ▶ Raleigh-Durham rents contracted 0.2% on a trailing three-month (T3) basis as of September, to an overall average of \$1,597, 10 basis points lower than the national rate, which also entered negative territory. On a year-over-year basis, rent development in the metro was down 1.5%, while nationally, rates were still up 0.8%.
- ▶ Lifestyle rents were down 0.4%, on a T3 basis through September, to \$1,686, while the Renter-by-Necessity segment saw a 0.5% increase, to \$1,388. With deliveries in recent years heavily targeting high-income renters, rent gains in the Lifestyle segment have begun to decelerate.
- ▶ The metro's occupancy rate decreased 100 basis points year-over-year, to 93.9%, as of August. The occupancy rate in the Lifestyle segment clocked in at 94.2%, an 80-basis-point slide in the last 12 months, while RBN properties had a 93.2% average occupancy rate, sliding 150 basis points.
- ▶ Of the 38 submarkets tracked by Yardi Matrix, 18 saw rent contractions. The highest year-over-year growth in the metro as of September was seen in Raleigh-South, up 7.0%, to \$1,280. Raleigh-University (up 6.6%, to \$1,443), Raleigh-East (up 3.8%, to \$1,590), Raleigh-Central West (up 2.3%, to \$1,801) and Clayton (up 2.0%, to \$1,596) rounded out the top five.
- ▶ In the single-family rental sector, occupancy was at 98.2% as of August, up 70 basis points year-over-year. Rates were at \$2,310 as of September.

Raleigh vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Raleigh Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Both Raleigh-Cary and Durham-Chapel Hill's unemployment stagnated at 3.2% throughout this summer, according to preliminary data from the Bureau of Labor Statistics. Year-to-date, the only month with a jobless rate below 3% was April, when the two markets were at 2.8% and 2.7%, respectively. Job gains in the Triangle clocked in at 3.2% in July, 60 basis points above the national rate.
- ▶ The Triangle added 32,100 jobs in the 12 months ending in June, with professional and business services and education and health services accounting for a combined 15,300 new positions and marking 4.1% and 4.2% respective increases on a year-over-year basis. However, the biggest year-over-year improvement was within the leisure and hospitality sector (up 5.9%), which added 6,100 new jobs, as the sector continues to recover following the pandemic.
- ▶ This summer, Apple filed development plans for the first phase of its new campus in the Research Triangle. The company owns a total of 281 acres at the site and the filed plans include nods to future phases. The investment will eventually create at least 3,000 new jobs. The 41-acre initial phase is slated to include 700,000 square feet of office space and 190,000 square feet of accessory space across six buildings.

Raleigh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	215	20.0%
65	Education and Health Services	171	15.9%
70	Leisure and Hospitality	110	10.2%
90	Government	160	14.9%
30	Manufacturing	66	6.1%
15	Mining, Logging and Construction	59	5.5%
80	Other Services	40	3.7%
55	Financial Activities	59	5.5%
40	Trade, Transportation and Utilities	167	15.5%
50	Information	32	3.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Aided by a booming economy, the Raleigh-Durham metropolitan area experienced a substantial increase in residents over the past decade.
- ▶ With a 2.0% increase in 2021 alone, the Triangle is one of the fastest-growing metros in the U.S.

Raleigh vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Raleigh	1,362,879	1,392,356	1,420,225	1,448,411

Source: U.S. Census

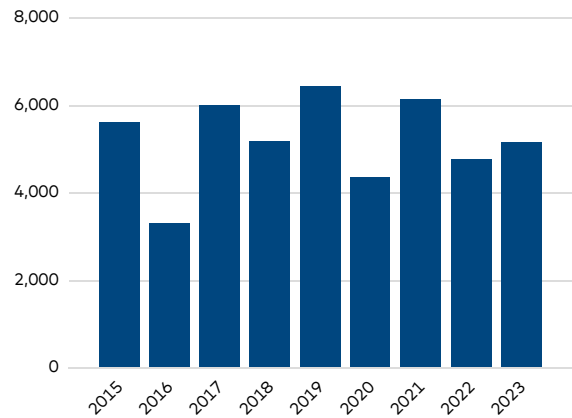
SUPPLY

- Raleigh-Durham had 30,241 units under construction as of September, with 94.2% of them in upscale communities. Only 10 properties totaling 1,050 units belong to the fully affordable segment. An additional 108,000 units were in the planning and permitting stages.
- A total of 5,167 units came online in the first three quarters of the year, already surpassing 2022's total (3,526 units) during the same time period, and only 19% below 2019's decade-peak of 6,428 units. Deliveries accounted for 2.9% of existing stock, 140 basis points higher than the U.S. rate.
- Construction starts were also on the rise, with developers breaking ground on 13,944 units across 34 properties, a 71% increase from the 8,168 units that started in 2022 through September.
- Of the 35 submarkets tracked by Yardi Matrix, four had more than 2,000 units under construction: Morrisville (3,360 units), Wake Forest (3,003), Raleigh-North (2,556) and Raleigh-Northeast (2,308). Only three had less than 100 units under construction as of September 2023.
- The largest project under construction in the Triangle is the 722-unit Kinsley Subdivision.

Construction started in May and completion is scheduled for late 2025. The community will be in the Wake Forest submarket.

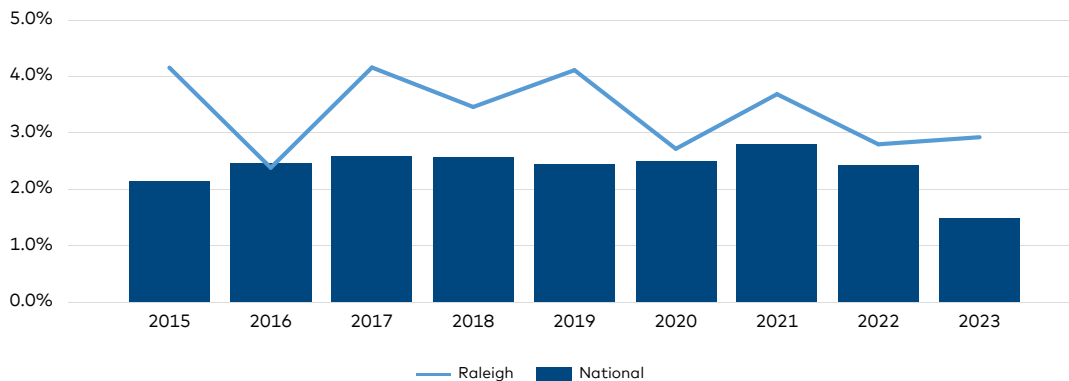
- The largest delivery year-to-date was The Halle Cos.' 384-unit The Villages at Sunnybrook in Raleigh-Southeast. Manufacturers and Traders Trust Co. provided a \$50.6 million construction loan for the project.

Raleigh Completions (as of September 2023)



Source: Yardi Matrix

Raleigh vs. National Completions as a Percentage of Total Stock (as of September 2023)

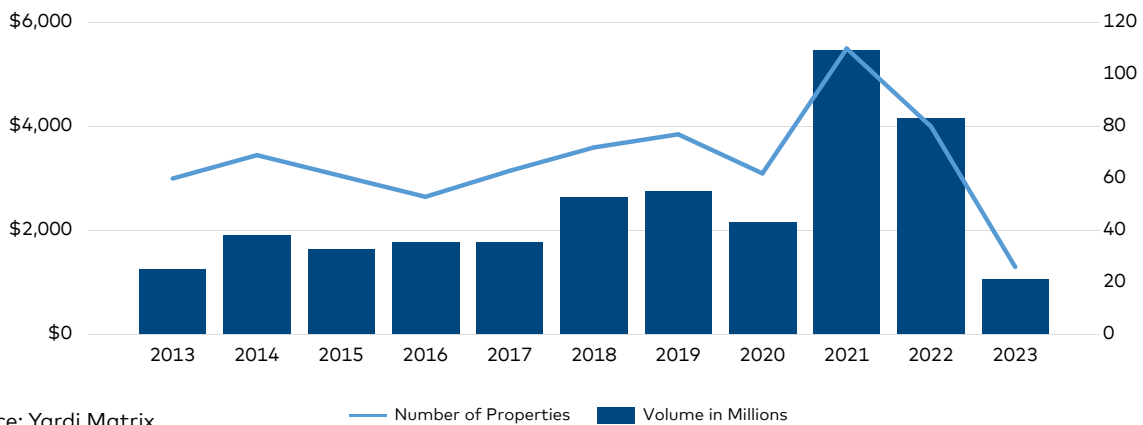


Source: Yardi Matrix

TRANSACTIONS

- ▶ Just over \$1 billion in multifamily assets changed hands in the Triangle during the first nine months of 2023, almost four times less than the amount registered during the same time last year (\$3.9 billion). A total of 26 properties changed hands this year through September, while last year 69 assets were transacted during the first three quarters.
- ▶ Mirroring national trends, the per-unit price slid to \$212,624 in Raleigh-Durham, but still remained significantly higher than the U.S. figure, which also decreased to \$189,597. A total of 15 RBN assets sold through September, while 11 sales were for Lifestyle properties.
- ▶ Morrisville was the submarket with the largest transaction volume during the 12 months ending in September, with a total of \$191 million. Raleigh-North (\$154.3 million) and Durham-Southwest (153.9 million) rounded out the top three.

Raleigh Sales Volume and Number of Properties Sold (as of September 2023)



Source: Yardi Matrix

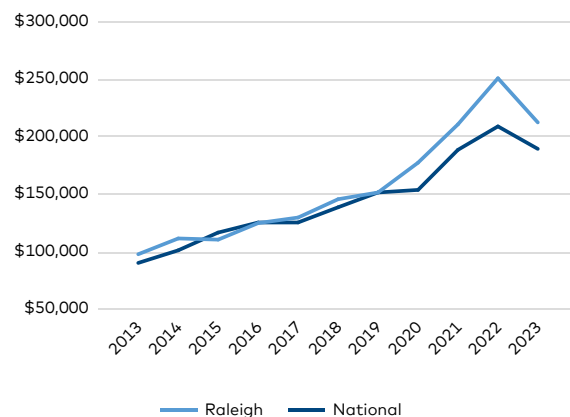
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Clay - Morrisville	191
Raleigh - North	154
Durham - Southwest	154
Raleigh - Northeast	145
Durham - East	105
Raleigh - Northwest	104
Durham - North	100

Source: Yardi Matrix

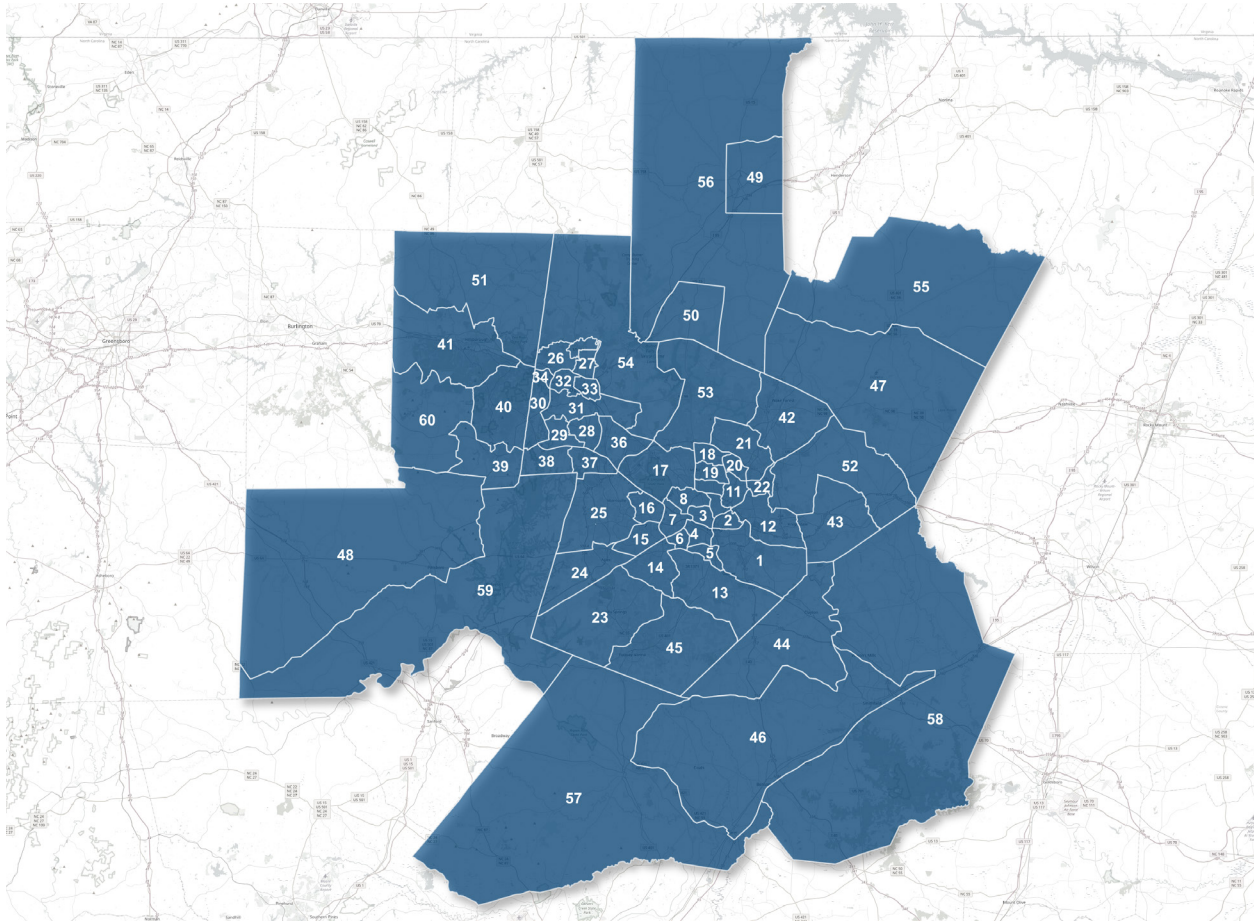
¹ From October 2022 to September 2023

Raleigh vs. National Sales Price per Unit



Source: Yardi Matrix

RALEIGH SUBMARKETS



Area No.	Submarket
1	Downtown Raleigh
2	Oakwood
3	Ridgewood
4	Hinton
5	Rhamkatte
6	Wynnewood
7	Westover
8	Laurel Hills
9	Crabtree Valley
10	Anderson Heights
11	Millbrook
12	Wilders Grove
13	Garner
14	Piney Plains
15	South Cary
16	North Cary
17	Glen Forest
18	Six Forks
19	Lynn
20	Wakeview

Area No.	Submarket
21	Neuse Crossroads
22	New Hope
23	Feltonville
24	Apex
25	Morrisville
26	Huckleberry Springs
27	Mill Grove
28	Keene
29	Woodcroft
30	Colony Park
31	Hope Valley
32	Duke University
33	Downtown Durham
34	American Village
35	River Forest
36	Research Triangle
37	Lowes Grove
38	Southport
39	Carrboro
40	Chapel Hill

Area No.	Submarket
41	Hillsborough
42	Wake Forest
43	Wendell
44	Clayton
45	Fuquay-Varina
46	Smithfield
47	Louisburg
48	Silver City
49	Oxford
50	Creedmoor
51	North Orange County
52	Northeast Wake County
53	Northwest Wake County
54	Outlying Durham County
55	Outlying Franklin County
56	Outlying Granville County
57	Outlying Harnett County
58	Outlying Johnston County
59	Southern Chatham County
60	Southwest Orange County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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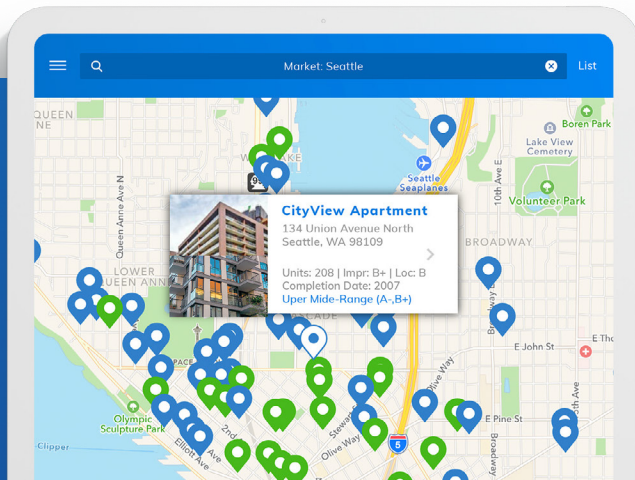
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- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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