



MULTIFAMILY REPORT

The Triangle Builds

February 2024



Deliveries on the Rise

Rent Growth Negative in 2023

Occupancy Trails National Average

RALEIGH MULTIFAMILY



Rent Gains Negative, Construction Steady

Raleigh–Durham closed the year with rent movement in negative territory, while construction was still solid. Rents were down 0.7% on a T3 basis through December, to \$1,553. Growth also declined on a year-over-year basis, at -2.9%, while the U.S. average marked a 0.3% increase.

As of October, Raleigh–Cary had an unemployment rate of 3.0%, well below the national and state averages, according to Bureau of Labor Statistics data. The metro's workforce grew by 41,600 positions with the leisure and hospitality sector leading expansion, up 9.4% year-over-year. However, the education and health services sector had the largest increase in absolute numbers, adding 10,900 jobs. As part of an \$8.2 billion funding package for 10 major passenger rail projects nationwide, the North Carolina Department of Transportation secured \$1.1 billion in federal grants. This funding will facilitate construction on a project that will eventually connect Raleigh to Richmond, Va.

In December, the metro's new-development pipeline included 28,487 units under construction as well as 107,000 units in the planning and permitting stages. Meanwhile, on the transaction side, multifamily sales in Raleigh–Durham amounted to \$1.7 billion in 2023, marking a 59% drop compared to the prior year's sales volume.

Market Analysis | February 2024

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Agota Felhazi

Associate Editor

Recent Raleigh Transactions

The Reserve at Meadowmont



City: Chapel Hill, N.C.
Buyer: Mesirow Financial
Purchase Price: \$84 MM
Price per Unit: \$324,031

501 Estates



City: Durham, N.C.
Buyers: Jefferson Apartment
Group, STARS REI
Purchase Price: \$73 MM
Price per Unit: \$270,370

NorthCity 6

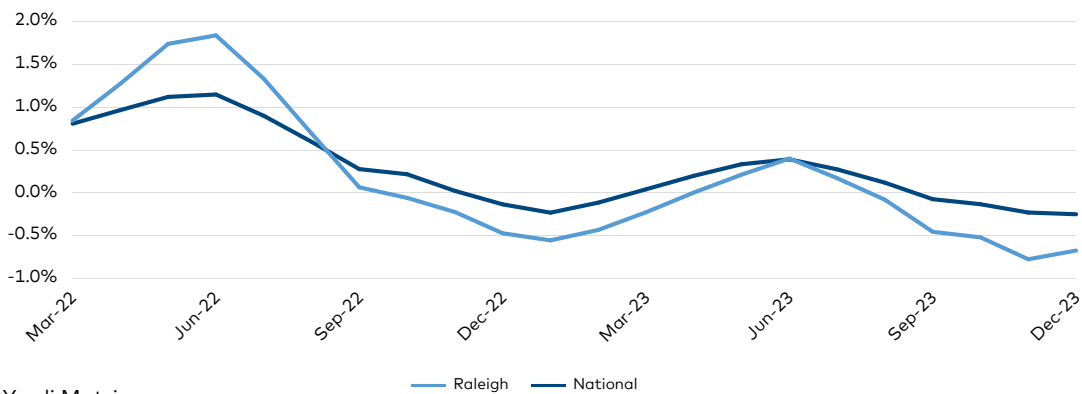


City: Raleigh, N.C.
Buyer: Beacon Real Estate Group
Purchase Price: \$64 MM
Price per Unit: \$220,790

RENT TRENDS

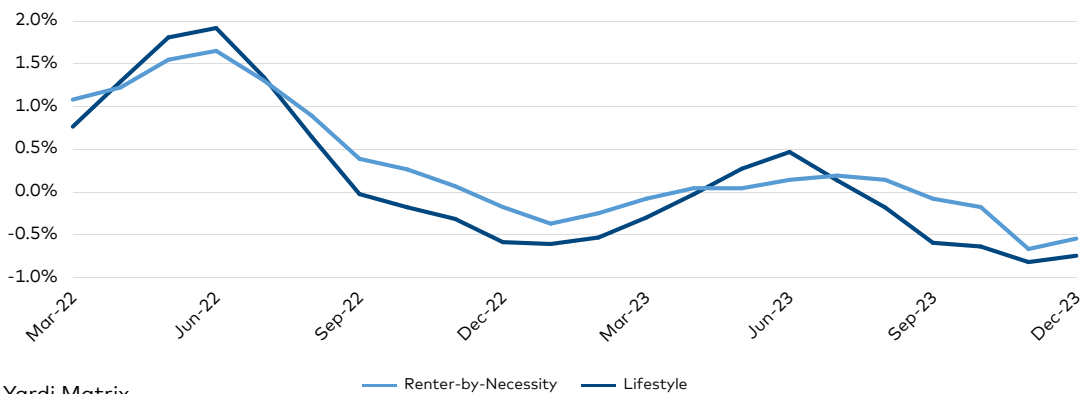
- ▶ Rent movement in the Raleigh–Durham metro turned negative in 2023, as rents contracted 0.7% on a trailing three-month (T3) basis through December. That was 40 basis points below the national average. The metro's rent growth kicked off 2023 with rents down 0.6% on a T3 basis in January and picked up later, remaining positive during the summer and peaking at 0.4% in June. On a year-over-year basis, rents were down 2.9%, while national rates were up 0.3%. The average rent clocked in at \$1,553 as of December, \$156 below the national average.
- ▶ Rents in the Lifestyle segment were down 0.7% on a T3 basis through December, to \$1,643, while the Renter-by-Necessity sector saw a 0.5% decrease, to \$1,341. On a year-over-year basis, the difference between the segments is more evident, as Lifestyle rents decreased 3.4%, while RBN rents were down 1.6%.
- ▶ Of the 38 submarkets tracked by Yardi Matrix, 23 saw negative rent growth year-over-year with rents in Durham–Central down 10.6%, to \$1,856. At the other end of the spectrum, Chatham County–East saw the largest gains, up 9.4%, to \$1,806. Durham–East (up 3.4% to \$1,604) and Raleigh–Southwest (3.3% to \$1,658) rounded out the top three.
- ▶ The metro's occupancy rate dropped 50 basis points year-over-year, to 93.9%, as of November. Meanwhile, the national occupancy rate settled at 94.8%.

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

- ▶ The Raleigh–Cary unemployment rate clocked in at 3.0% as of October, according to BLS data. Durham–Chapel Hill's unemployment clocked in at 2.9%. Overall, The Triangle's unemployment rate was well below the 3.8% national average, as well as the state's 3.4% figure.
- ▶ Raleigh–Durham added 41,600 jobs in the 12 months ending in October, with a single sector recording losses. Financial activities was down 500 positions. The education and health services sector led job gains with 10,900 new positions, closely followed by professional and business services with 10,300 jobs. Overall employment expanded by 3.4% across the Triangle, 110 basis points above the national average.
- ▶ The U.S. Department of Transportation awarded a \$1.1 billion grant to the NC DOT to design and develop the initial phase of a high-performance passenger rail line connecting Raleigh to Richmond, Va. The first leg of the new passenger rail route of the S-Line will stretch between Raleigh and Wake Forest. In Raleigh, construction also recently began on the New Bern Avenue leg of the city's bus rapid-transit project linking downtown Raleigh with WakeMed and New Hope Road. This stretch will be one of four BRT corridors.

Raleigh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	177	16.1%
60	Professional and Business Services	220	20.1%
70	Leisure and Hospitality	109	9.9%
40	Trade, Transportation and Utilities	170	15.5%
90	Government	167	15.2%
30	Manufacturing	66	6.0%
15	Mining, Logging and Construction	59	5.4%
80	Other Services	40	3.6%
50	Information	32	2.9%
55	Financial Activities	57	5.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Raleigh–Durham gained 28,186 new residents in 2021, up 2.0% year-over-year. Growth is expected to continue, as North Carolina only trailed Texas and Florida for population growth in 2023, data from the U.S. Census Bureau shows.

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

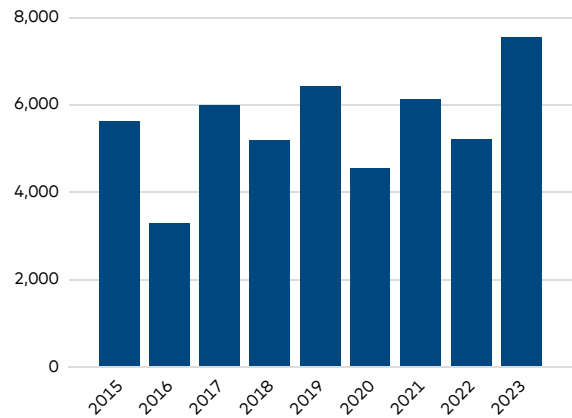
SUPPLY

- ▶ The Research Triangle had 28,487 units under construction at the end of 2023, with just 4.2% of the projects underway designated as fully affordable. The metro's pipeline also included 107,000 units in the planning and permitting stages.
- ▶ Deliveries were on the rise as in 2023 a total of 7,558 units came online, surpassing the previous year's total of 5,218 units as well as 2021's 6,152 units. Overall, completions across the metro accounted for 4.2% of total stock, 180 basis points above the national rate.
- ▶ Construction starts were also growing, as developers kicked off construction on 64 properties totaling 14,681 units. This marked a 43.3% increase from the 10,246 units that broke ground in 2022. Developers also focused more on fully affordable projects, as 12 such projects started in 2023, while just three began in 2022.
- ▶ The Weld, a project jointly developed by SLI Capital and Mack Real Estate Group, is the largest ongoing construction project in the Triangle area. It comprises 675 units and is located along Hammell Drive in the Raleigh-South submarket. Banco Inbursa provided a \$190.5 million construction loan for the co-developers to erect the 20-story property. The two-building

project with 12,000 square feet of retail space is expected to come online in early 2026.

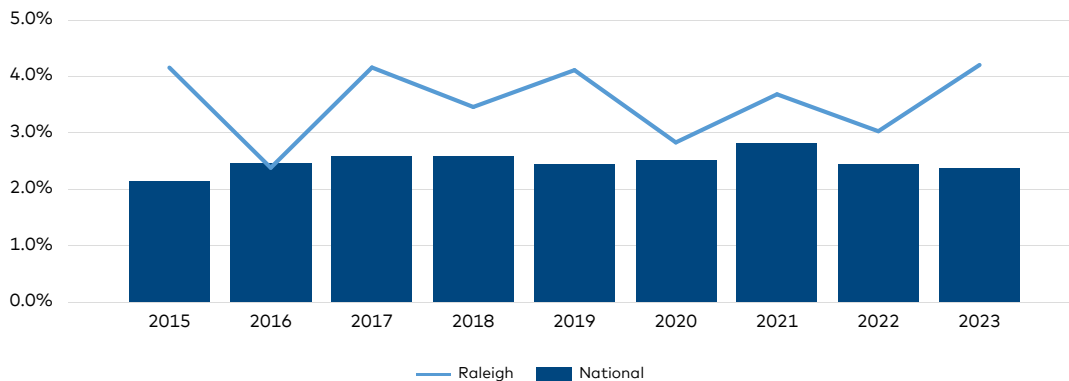
- ▶ Clay-Morrisville topped the list of submarkets with the largest multifamily pipelines, with 3,081 units underway. Of the 38 submarkets tracked by Yardi Matrix, another three had more than 2,000 units under construction: Raleigh-Downtown (2,046 units), Raleigh-Northeast (2,314 units), Raleigh-North (2,814 units).

Raleigh Completions (as of December 2023)



Source: Yardi Matrix

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

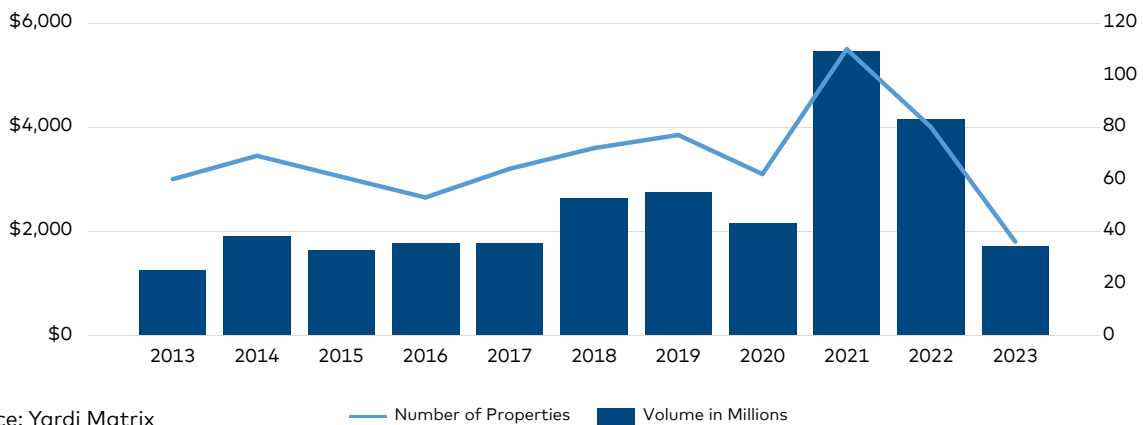


Source: Yardi Matrix

TRANSACTIONS

- ▶ In 2023, \$1.7 billion in multifamily assets traded in Raleigh–Durham, bringing overall investment in the metro over the decade ending in 2023 to nearly \$26 billion. However, volume was down compared to 2022, when \$4.1 billion traded, and was also a far cry from 2020's \$5.5 billion.
- ▶ Investment composition was evenly divided between RBN and Lifestyle assets, but the average per-unit price decreased year-over-year, down 10%, to \$224,437. However, the price remained above the U.S. average of \$185,172.
- ▶ Mesirov Financial's acquisition of the 258-unit The Reserve at Meadowmont last November for \$83.6 million or \$324,031 per unit, marked one of the highest per-unit prices in the metro in 2023. Only four properties traded at a per-unit sales price of over \$300,000. CBRE Investment Management's purchase of the 247-unit Liberty Warehouse for \$89 million, or \$360,324 per unit, was the highest per-unit price in 2023.

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



Source: Yardi Matrix

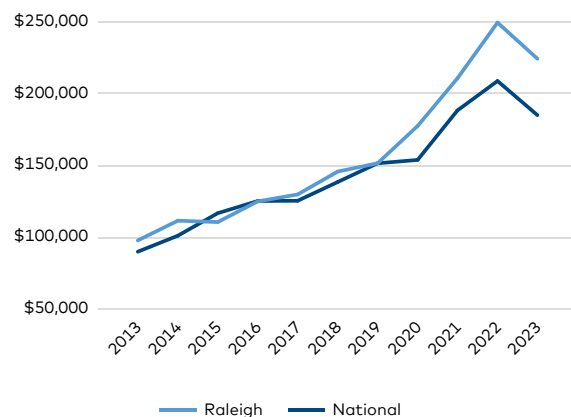
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Durham–Southwest	310
Raleigh–North	219
Raleigh–Northeast	145
Raleigh–Central West	115
Clay–Morrisville	105
Durham–East	104
Durham–Central	96

Source: Yardi Matrix

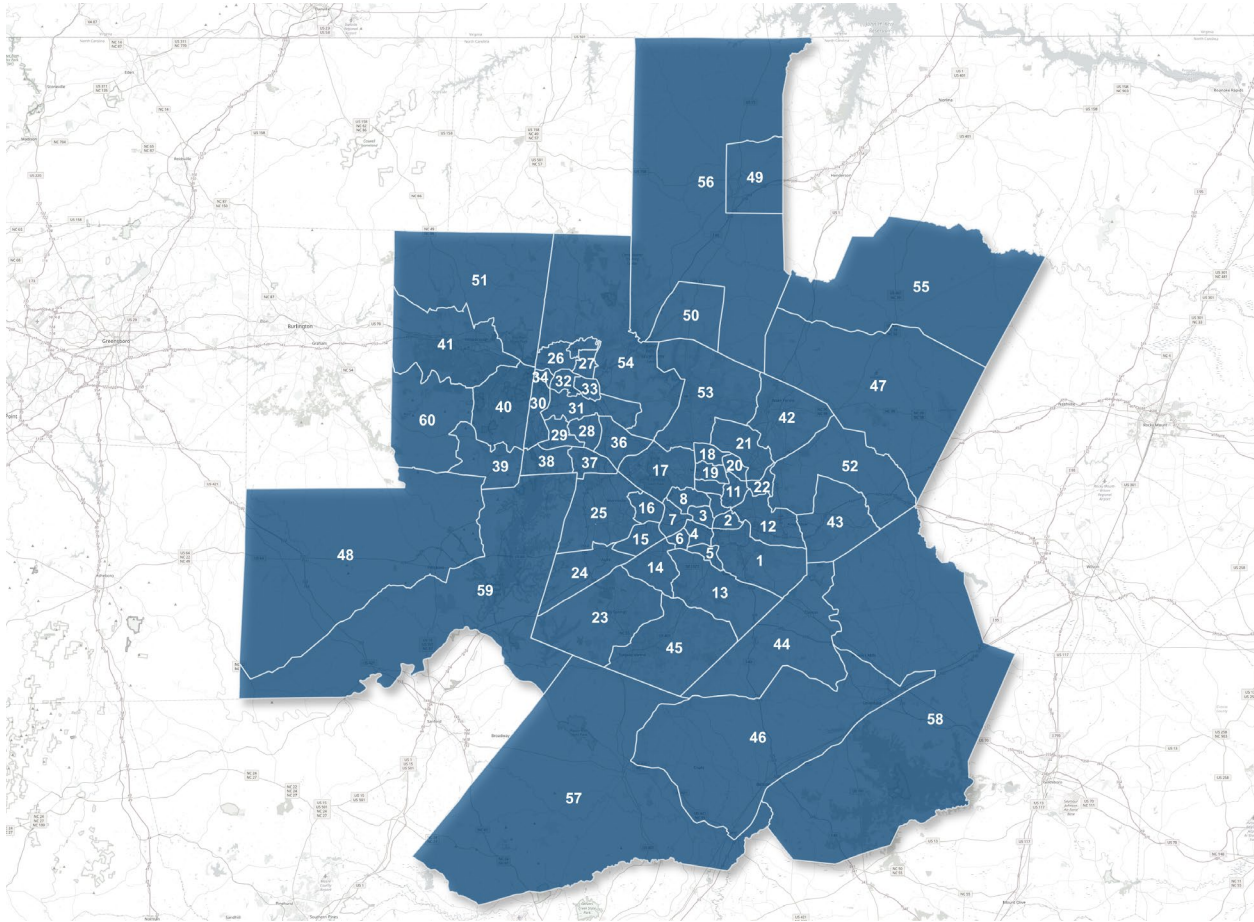
¹ From January 2023 to December 2023

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



Yardi[®] Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2024 Yardi Systems, Inc. All Rights Reserved.