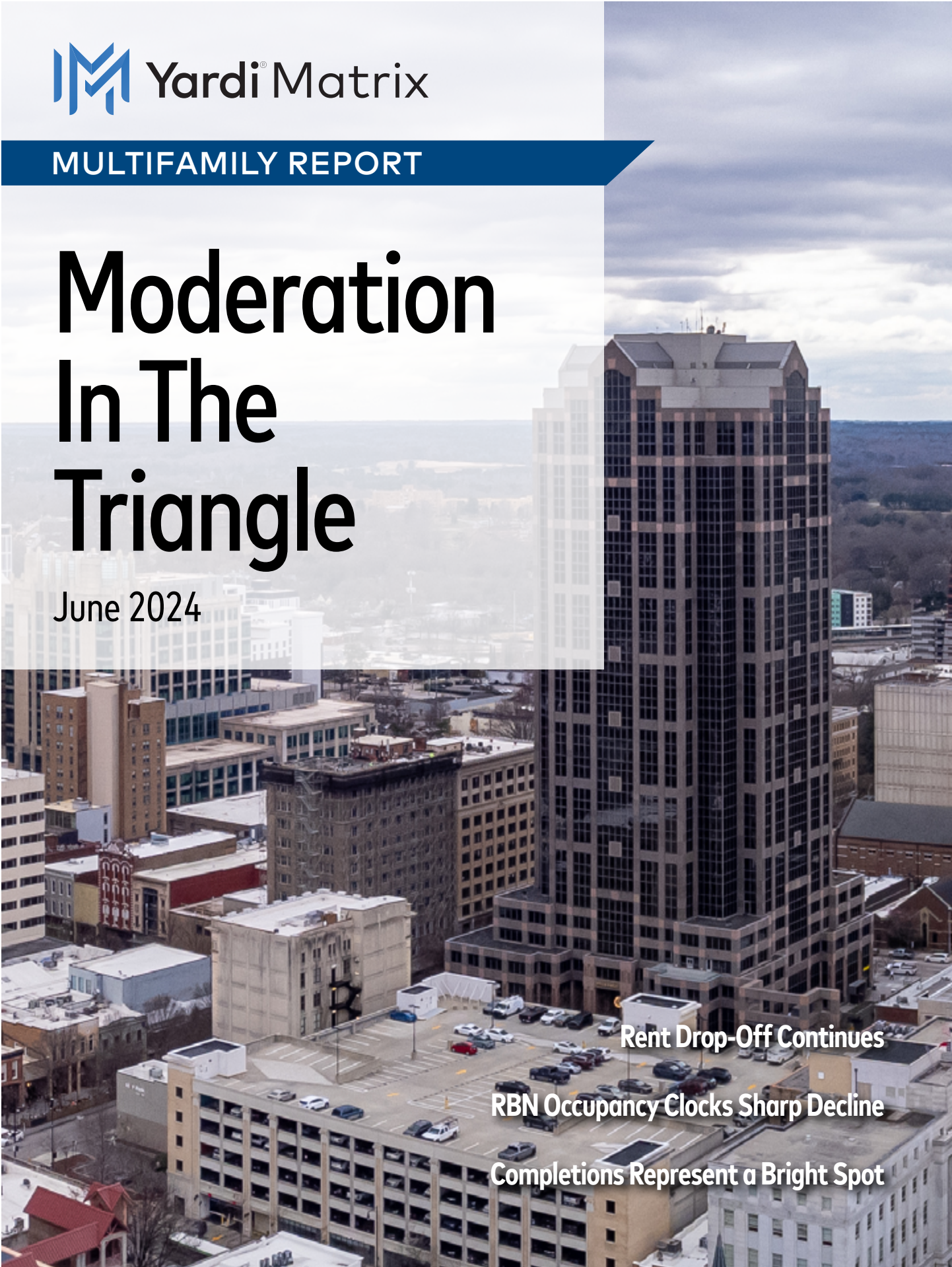


Moderation In The Triangle

June 2024



Rent Drop-Off Continues

RBN Occupancy Clocks Sharp Decline

Completions Represent a Bright Spot

RALEIGH MULTIFAMILY



Rent Decline Persists Amid Supply Surge

Raleigh-Durham's multifamily market displayed a more subdued performance, likely impacted by the cooling economy. Rents were down 0.1% on a trailing three-month basis, to \$1,548, 40 basis points lower than the national rate, with Yardi Matrix predicting a 0.6% contraction for the year. The average overall occupancy rate in stabilized properties decreased by 50 basis points year-over-year, to 93.6%, with the Renter-by-Necessity segment recording a sharper, 70-basis-point decline.

The job market in the Research Triangle expanded by 2.6% in the 12 months ending in February, adding 27,400 net jobs. The metro's growth rate was 110 basis points above the national average. Education and health services led gains with 8,900 jobs. The area's jobless rate stood at 3.3% as of March, 50 basis points below the U.S. figure. FujiFilm Diosynth Biotechnologies plans to add 1.3 million square feet to the Triangle with the development of a CDMO facility. With a \$1.2 billion investment in the project, plans include adding 680 jobs by 2031.

With 3,013 units, or 1.6% of existing stock, delivered through April, the metro outpaced the nation by 100 basis points, although construction starts significantly declined from the beginning of the year. Transaction activity remains scarce, with only \$250 million in assets changing hands, in line with a decline that began in 2022.

Market Analysis | June 2024

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Recent Raleigh Transactions

Conclave Glenwood



City: Raleigh, N.C.
Buyer: Brown Development
Purchase Price: \$61 MM
Price per Unit: \$243,951

Cambridge



City: Raleigh, N.C.
Buyer: Westport Capital Partners
Purchase Price: \$23 MM
Price per Unit: \$134,577

Cleveland Green



City: Garner, N.C.
Buyer: Laurel Street Residential
Purchase Price: \$8 MM
Price per Unit: \$60,476

Glen Royal Mill



City: Wake Forest, N.C.
Buyer: Schrader Properties
Purchase Price: \$6 MM
Price per Unit: \$106,250

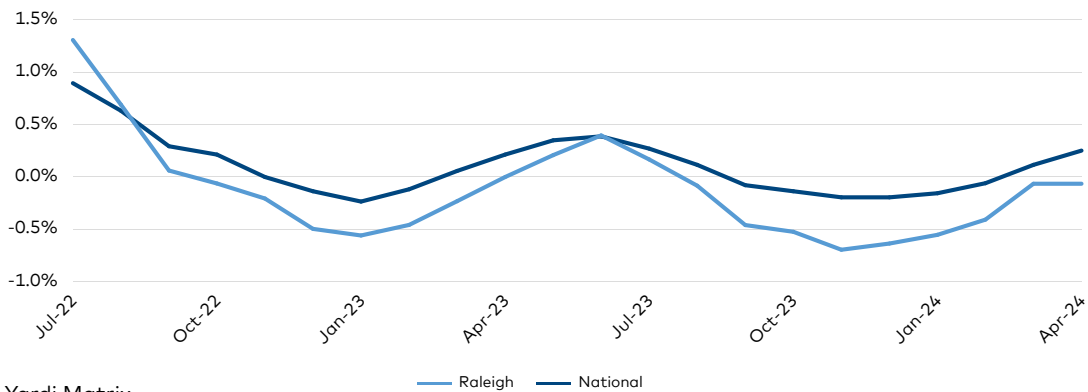
RENT TRENDS

- ▶ Raleigh-Durham rents contracted 0.1% on a trailing three-month (T3) basis as of April, to an overall average of \$1,548, 40 basis points lower than the national rate, which saw improvement beginning in March. On a year-over-year basis, rates were down 2.9%, with only Atlanta (-3.4%) and Austin (-6.5%) experiencing larger declines. Yardi Matrix forecasts a 0.6% contraction in rents by year-end.
- ▶ Rent movement was varied across quality segments. Working-class Renter-by-Necessity rates were down 0.1% on a T3 basis, to \$1,342, after registering a 0.1% appreciation in the previous month. Meanwhile, the Lifestyle figure remained flat, at \$1,633. Both segments have been on a downward trajectory since August 2023, with the

RBN average registering its largest decrease during that period in November, clocking in at 0.7%.

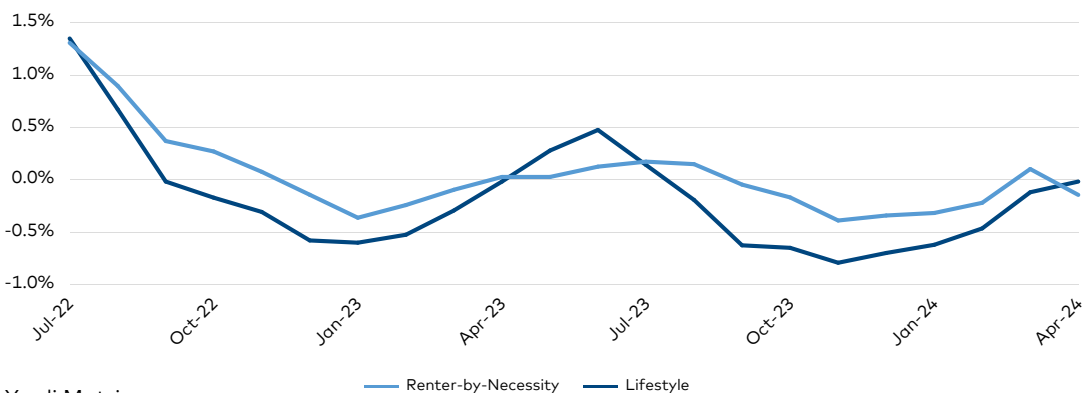
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 93.6% as of March, a 50-basis-point decrease year-over-year. The Lifestyle rate recorded a 40-basis-point contraction, to 93.9%. Meanwhile, occupancy in RBN assets saw the largest decline, down 70 basis points to 93.0%.
- ▶ Of the 37 submarkets tracked by Yardi Matrix, more than half performed negatively on a year-over-year basis. Despite a 4.8% contraction, Raleigh-Downtown remains the most expensive submarket, at \$1,874, followed by Durham-Central, where rents decreased 9.9%, to \$1,833.

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

- Raleigh-Durham's employment rose 2.6% year-over-year as of February, 110 basis points higher than the U.S. rate. Education and health services led growth, accounting for 8,900 of the 27,400 net jobs gained by the metro. Government (5,600 jobs) and professional and business services (5,700) have also contributed to the Triangle's employment growth.
- The metro lost 1,300 jobs in the information sector, while manufacturing remained flat year-over-year, with no new jobs added to the workforce.
- Raleigh-Cary's unemployment rate stood at 3.3% as of March, 50 basis points below the U.S. rate, according to preliminary data from the Bureau of Labor Statistics.
- Manufacturer FujiFilm Diosynth Biotechnologies plans to expand its current facility under construction in Holly Springs, N.C. The project will result in a total of 1.3 million square feet, making it one of the largest CDMO facilities in North America. Plans call for a \$1.2 billion investment for this expansion and 680 new jobs by 2031. FujiFilm initially announced a \$2 billion project, which was to bring some 700 jobs, at the same site in 2021.

Raleigh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	177	16.3%
60	Professional and Business Services	209	19.2%
90	Government	170	15.6%
70	Leisure and Hospitality	104	9.6%
15	Mining, Logging and Construction	62	5.7%
55	Financial Activities	59	5.4%
80	Other Services	46	4.2%
30	Manufacturing	63	5.8%
40	Trade, Transportation and Utilities	165	15.2%
50	Information	32	2.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Population in Raleigh-Durham expanded by 29,024 residents in 2022.
- The Research Triangle registered a 2.1% increase in demographics in 2022, while the U.S. population grew 0.4% during that same period.

Raleigh vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Raleigh	1,332,311	1,362,997	1,391,801	1,420,825

Source: U.S. Census

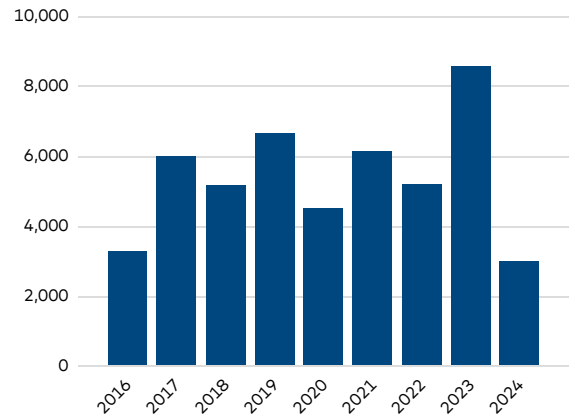
SUPPLY

- Raleigh-Durham added 3,013 units in the first four months of 2024, accounting for 1.6% of existing stock, 100 basis points higher than the national rate of completions. All but one property that came online were assets in the Lifestyle segment. The metro's deliveries expanded significantly last year, with 8,579 units delivered, accounting for 4.7% of stock, the highest rate in nearly a decade.
- Development is strong in the Research Triangle, as the metro had 25,193 units under construction. Another 108,000 units were in the planning and permitting stages. Construction was concentrated in upscale projects (87.6% of units underway) while RBN and fully affordable units accounted for the remaining 12.4%.
- Construction starts decreased significantly, with only 264 units breaking ground in the first four months of 2024. This marked a 95% decline compared to the 5,290 units that started construction during the same period last year. The downtick is due to tougher lending conditions, as developers struggle to get projects off the ground.
- Of the 31 submarkets tracked by Yardi Matrix, 12 had more than 1,000 units under construction.

tion. Clay-Morrisville led with 2,822 units underway, with Raleigh-North (2,146 units) and Raleigh-South (1,454 units) rounding out the top three.

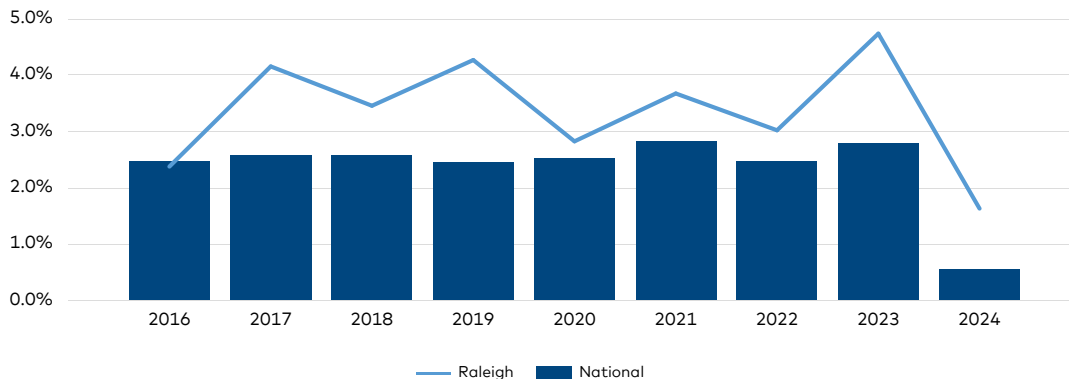
- Mack Real Estate Group is developing The Weld, a 675-unit, Class A property. Slated for delivery in January 2026, the project became subject to a \$191 million construction loan from Banco Inbursa in 2023.

Raleigh Completions (as of April 2024)



Source: Yardi Matrix

Raleigh vs. National Completions as a Percentage of Total Stock (as of April 2024)



Source: Yardi Matrix

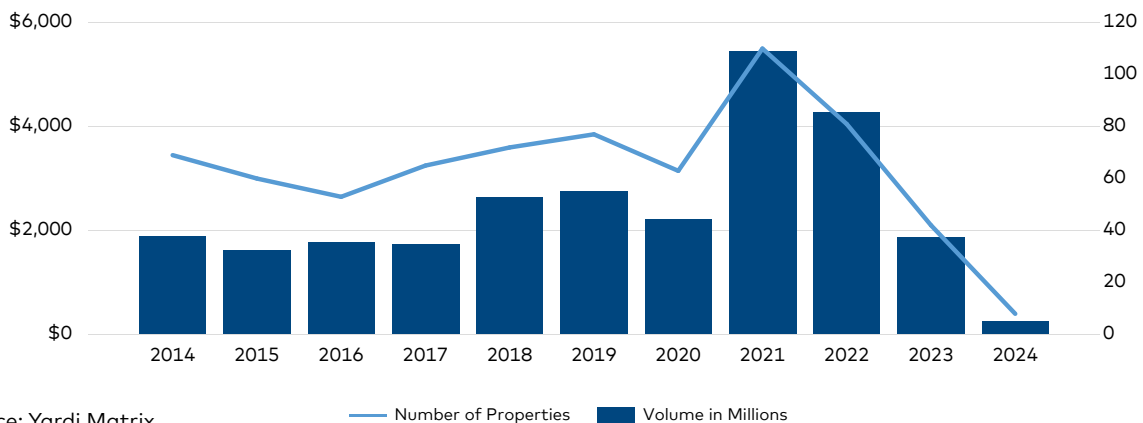
TRANSACTIONS

- ▶ Transactions in Raleigh-Durham reached \$250 million in the first four months of 2024. Sales have been slowing down since the unprecedented highs of 2021, when \$5.5 billion in multifamily sales was recorded in the metro. However, with overall market conditions slowing and interest rates staying high, sales activity has progressively dwindled. Last year closed with \$1.9 billion in total transactions.
- ▶ With just eight properties changing hands, sales favored the Lifestyle segment, which accounted

for more than half of the assets that have traded in the metro as of April. Nevertheless, the price-per-unit dropped to \$172,448, even lower than the \$181,913 U.S. average.

- ▶ Just two submarkets crossed the \$200 million threshold for sales in the 12 months ending in April. Raleigh-North led the metro with \$259 million, followed by Durham-Southwest with \$241 million in total transactions.

Raleigh Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

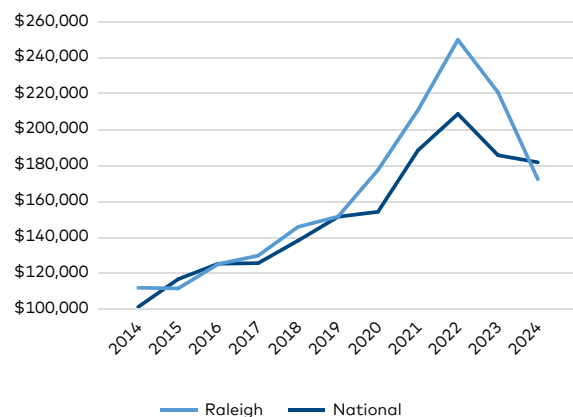
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Raleigh-North	259
Durham-Southwest	241
Raleigh-Southeast	171
Chapel Hill	116
Raleigh-Central West	115
Clay-Morrisville	105
Raleigh-West	101

Source: Yardi Matrix

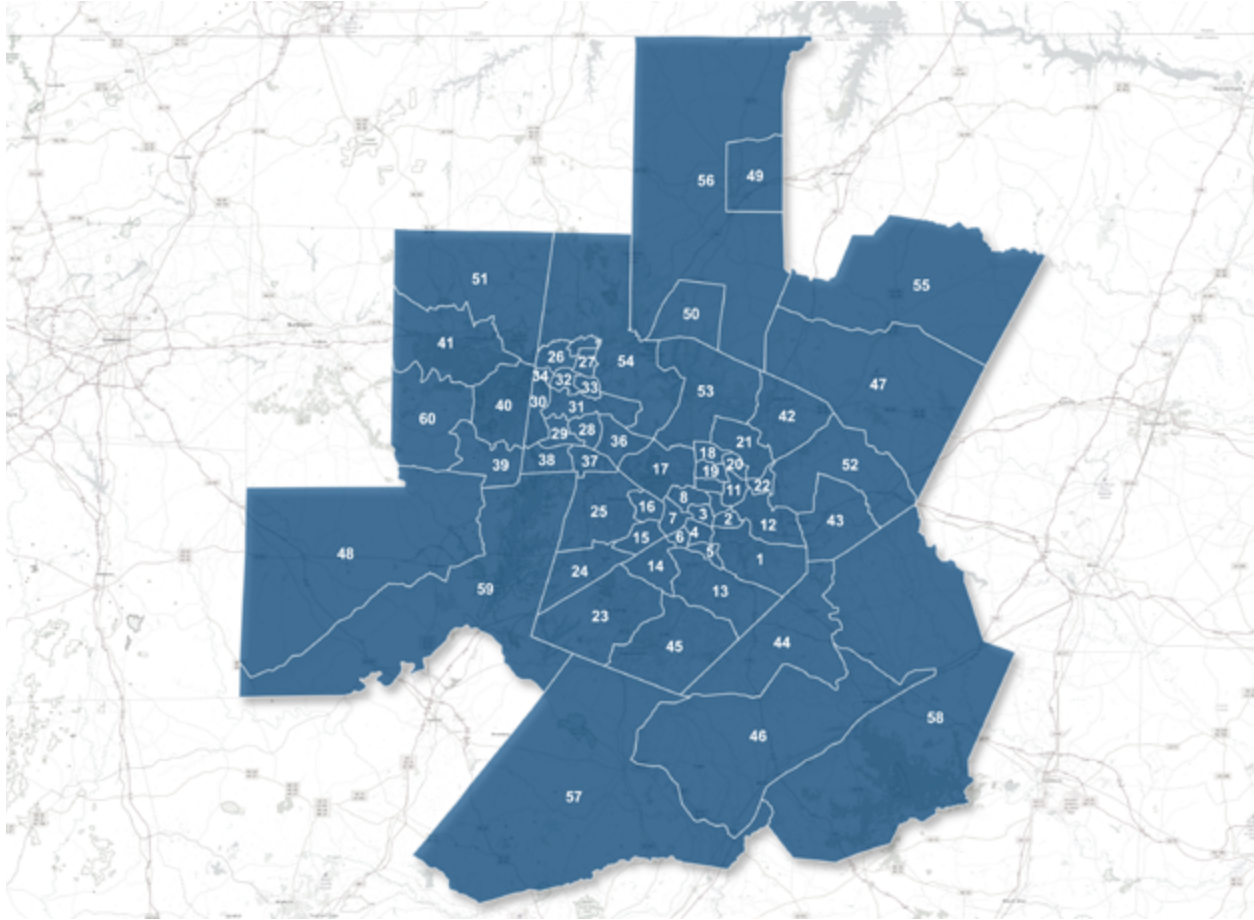
¹ From May 2023 to April 2024

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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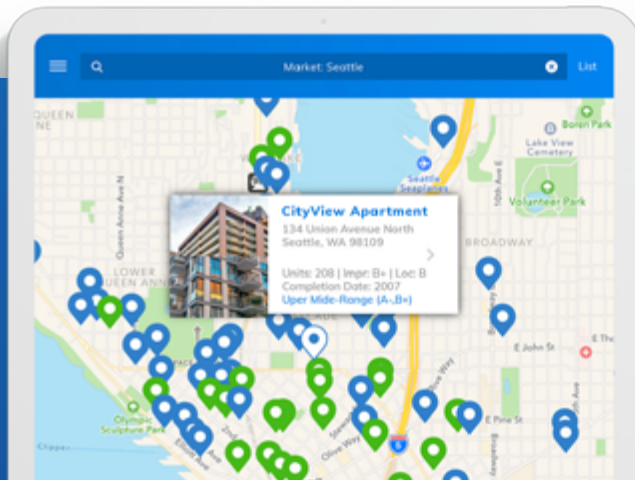
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