

# Multifamily Metro Outlook:

## Raleigh - Q1 2022

### Overview:

- The Raleigh labor economy is now in a full-blown expansion as it has fully recovered all of the jobs lost as a result of the virus. As of Q1 2022 local job growth expanded by 3.7% compared to 4.5% nationally. The high-tech industry which has a local concentration of 10%, which is approximately double the national rate, is the local economic crutch and has been minimally impacted by the onset of the virus as much of the industry was already working remotely.
- The virus has had a minimal impact on the metro's apartment sector. As of Q1 2022 vacancies continue to tighten and were approximately 4.75% and rent growth continues to perform well at 2.75% during the same period.

### Market Strengths:

- Even though the employment growth for the period ending in Q1 2022 was slightly below the national average, the recovery in Raleigh has been rapid. According to Moody's Analytics, job growth recovery was previously understated as nearly every employment industry within the metro is expanding at the national average rate of recoveries, with expansion being led by excelled recovery in the Construction, Professional Business Services and Financial sectors.
- The metro has a demographic profile that will continue to aid in the rather quick recovery from the bout with the virus. According to Moody's Analytics, population growth in the metro was approximately 1.5% in 2021 which is more than three time greater than the national average of 0.5%. Furthermore, the prime renting cohort (ages 20-34) presence is also above average at 1.2% compared to -0.3% nationally.
- The tech renaissance of Raleigh has turned out to be fruitful for the market. According to Moody's Analytics, high tech now accounts for approximately 10% of the local jobs in the Raleigh region. Furthermore, the tech scene continues to expand as Apple is poised to open a new campus to spur growth and tech unicorn Pendo has expanded from a small startup to a company employing more than 1,000 employees in a short period of time.
- The cost of doing business in Raleigh-Durham is 9% below the national average, according to Moody's Analytics. In comparison to Silicon Valley, Raleigh-Durham and the state of North Carolina boast tax rates that are more than two-thirds lower and labor costs that are one-third lower than their California counterpart.

### Market Weaknesses:

- Since the metro has emerged as a tech-centric metro there is some potential concern that arises with tech industry dependence for economic growth and sustainability. The tech sector remains extremely volatile and is susceptible to economic disruptions. Even though recovery in the sector is performing above average there is some concern that there could potentially be some tech sector softening as 4 of the major employers in the region are centered in the tech industry.
- Oversupply has always been a worry for the local Raleigh metro. As of Q1 2021, there are approximately 8,300 units underway.
- Despite the ongoing success of the local tech scene there are a few things that could present some issues for the sector. As a result of COVID-19, there has been a nationwide restriction on H-1B visas which limits tech firm's ability to acquire top talent. Furthermore, the virus has also lowered foreign enrollment at local universities which also limits the talent (potential) pool for employers.

### Development:

- Since the beginning of 2006, Raleigh-Durham has had approximately 14,000 condo/townhome units completed and less than 2,000 are underway. Condos do not pose a significant threat to the rental market here.
- Additions to new supply appear to have slowed considerably since 2014 when almost 9,000 units were delivered in a single year. Since 2017, approximately 27,000 units have been completed. An additional 8,300 units are currently underway for delivery through Q2 2024.

### Outlook:

- The arrival of the virus in the Raleigh metro turned out to not have a large impact on the apartment market. Despite having the demographic profile necessary for absorption of increased supply, the rate of completions slowed throughout 2021 allowing for the market to settle a bit. Furthermore, the settling of the apartment market allowed apartment fundamentals such as vacancies to tighten and rent growth continue to expand at an above average rate.
- The metro does not have a high dependency on the employment sectors most impacted by COVID-19 (Leisure/Hospitality and Retail), which resulted in a rather rapid recovery from the virus. Raleigh will continue to attract talent as a result of the above-average presence of its high-tech sector and low business costs, however due to the volatility of the high-tech sector Raleigh will remain susceptible to employment shocks.

## Five Year Metro Area Growth Forecast

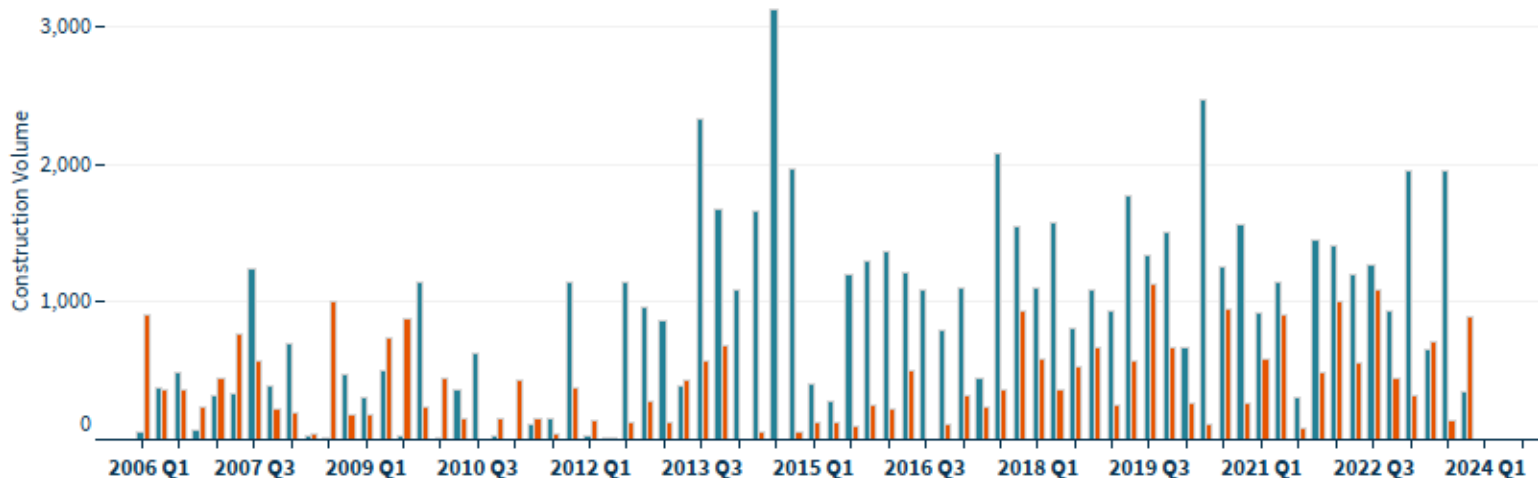
	Q4 2021	Q4 2026	Raleigh + Durham (5-Year Annual Average Change)	National (5-Year Annual Average Change)
<b>Population (000s)</b>	2,043	2,203	1.52%	0.47%
<b>Households (000s)</b>	797	896	2.36%	0.90%
<b>Renting Cohort (Ages 20-34) (000s)</b>	444	472	1.24%	-0.30%
<b>Total Employment (000s)</b>	990	1,068	1.54%	1.08%
<b>Median Household Income</b>	\$72,794	\$84,862	3.12%	3.30%
<b>Median SF Home Price</b>	\$409,518	\$413,040	0.17%	1.93%
<b>Net Migration (Annualized)</b>	25,538	22,484		

Source: Moody's

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



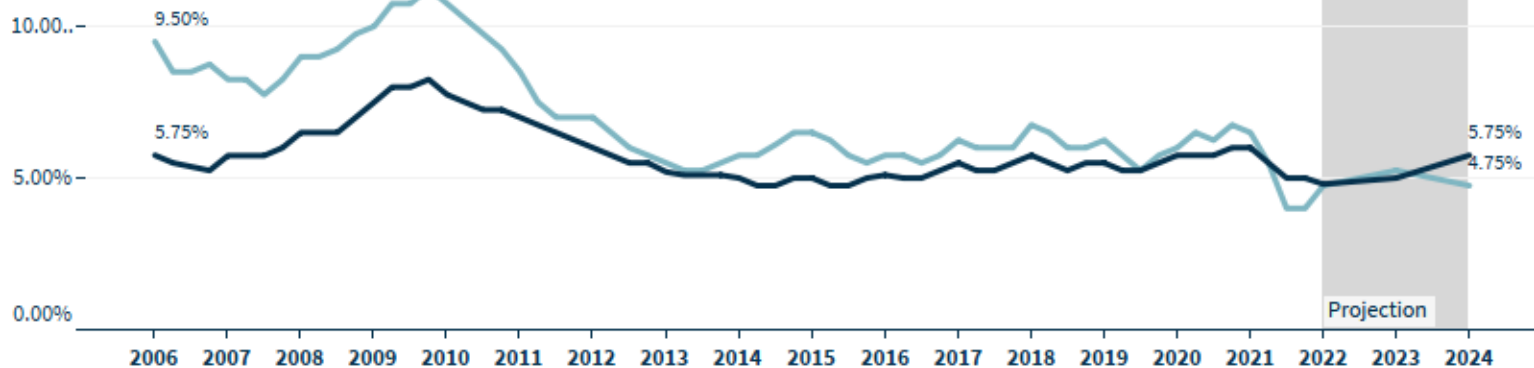
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Raleigh | National

Q1 2022 Vacancy Rate:

4.75%

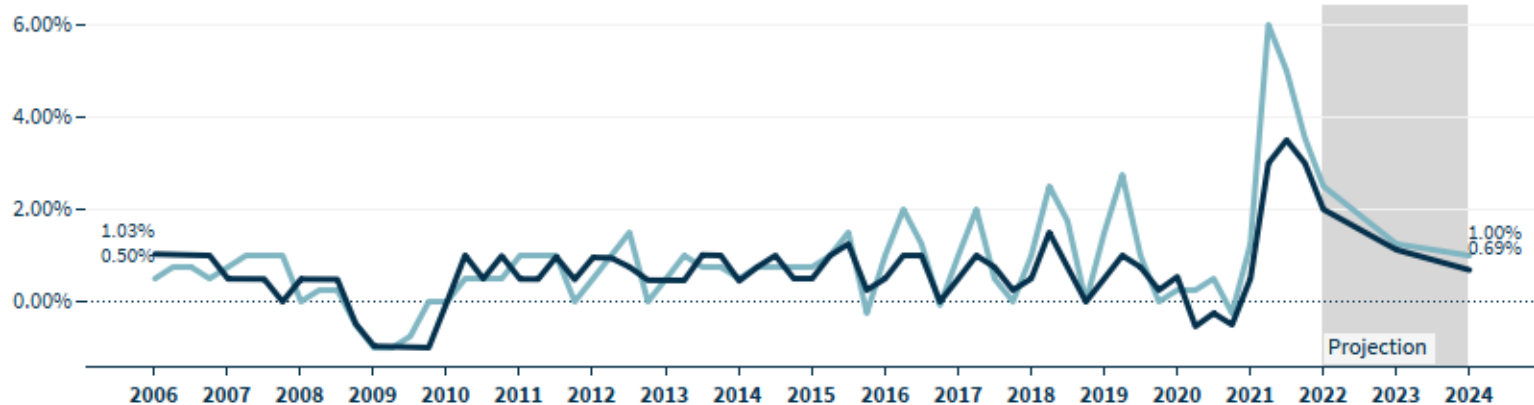


### Asking Rent Growth

Raleigh | National

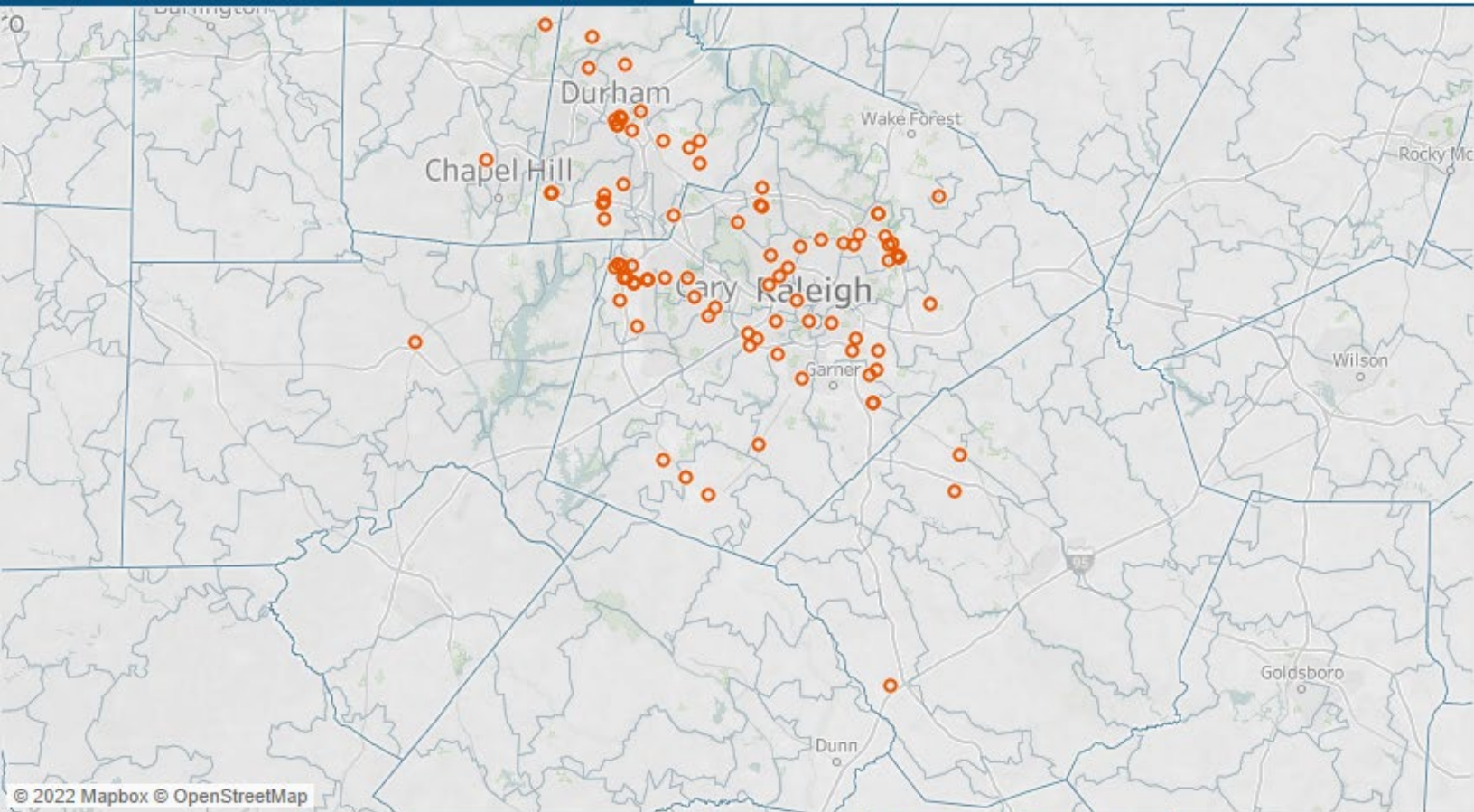
Q1 2022 Asking Rent:

\$1,460



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Central Raleigh	10	1,413	1.83M
Chapel Hill/Carrboro	4	716	1.05M
East Durham	24	818	0.92M
Far North Raleigh	2	262	0.35M
Matthews/Southeast Charlotte	1	6	0.01M
Near North Raleigh	6	992	1.18M
North Cary/Morrisville	33	126	0.13M
Northeast Raleigh	15	561	0.69M
Northwest Durham/Downtown	8	709	0.97M
Northwest Raleigh	10	40	0.08M
South Cary/Apex	20	1,148	1.20M
Southeast Raleigh	13	934	1.08M
Southwest Durham	22	530	0.70M
<b>Grand Total</b>	<b>168</b>	<b>8,255</b>	<b>10.21M</b>

## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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