

Multifamily Metro Outlook:

Raleigh - Q3 2023

Overview:

- It appears that the overall tech-slowdown, specifically in the Raleigh metro was short-lived as growth continues to expand at an above-average pace. During the period ending Q3 2023 the local job market expanded by 2.5% compared to 1.2% nationally.
- The current economic environment, is continuing to have an impact on apartment fundamentals. During the period ending Q3 2023 vacancies increased slightly up to 7.5% and furthermore rent growth is also moving in the wrong direction as it contracted slightly by -0.25%. Even with vacancies continuing to rise, there is still a ton of supply underway, approximately 18,000 units scheduled to deliver by the end of 2025. However, the strong demographic profile in the metro should help absorb the incoming glut of supply.

Market Strengths:

- The recovery in Raleigh has been rapid. Employment in the metro is 11% above February 2020 levels and job growth in Raleigh surpassed most southern markets. Significant expansion occurred in office-using sectors, as Financial and Professional/Business Services account for 20% of the metro's workforce.
- The metro has a demographic profile that has aided in the rather quick recovery and fast expansion of the local job market. Population growth in the metro is approximately 1.9% over the next 5-year forecast compared to 0.4% nationally. Furthermore, the prime renting cohort (ages 20-34) also has an also above average concentration in the metro at 1.5% compared to -0.4% nationally.
- The tech renaissance of Raleigh has turned out to be fruitful for the market, despite the recent slowdown the sector experienced. High tech now accounts for approximately 10% of the local jobs in the Raleigh region. Furthermore, the most recent CHIPS Act that was passed will be a boon to both the local tech and manufacturing sectors as semiconductor development is prevalent in the metro.

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 (like most recent one in 2022 and into 2023). Even though recovery in the sector has performed above average according to Moody's Analytics, job growth has slowed from its torrid pace to slightly above-average. Furthermore, tech employers such as Lenovo and Cisco systems have announced layoffs impacting 5% of their global workforce.

Development:

- Oversupply has always been a potential issue for the metro. As of Q3 2023, there are approximately 18,000 units underway and an additional 81,000 in the planning stages.

Outlook:

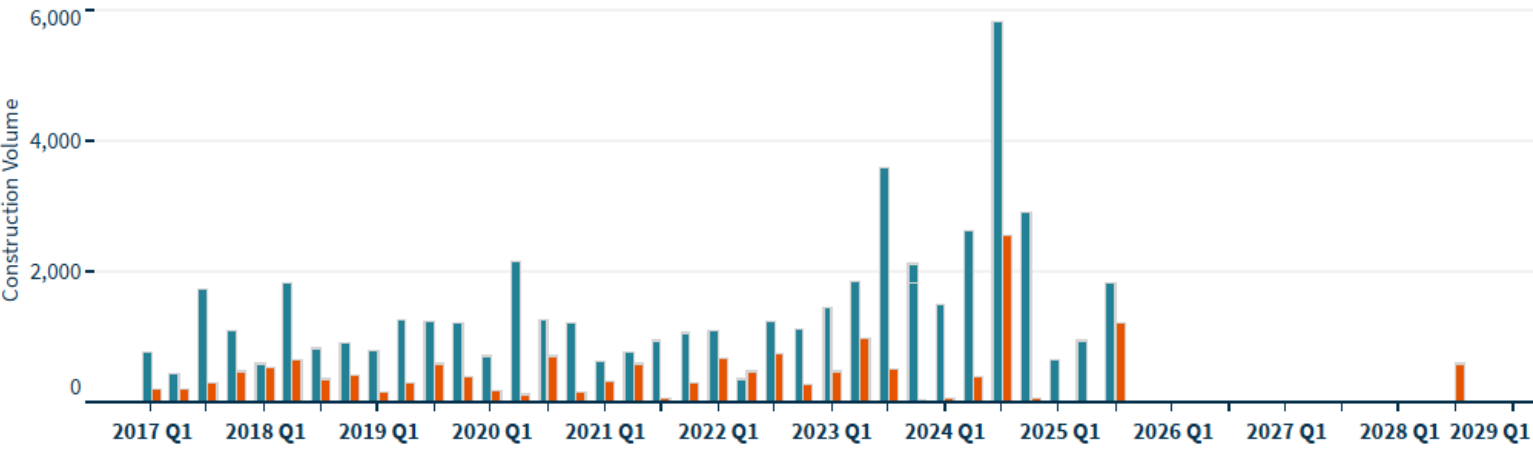
- Raleigh's apartment fundamentals, specifically vacancies continue to soften as a result of the current economic environment coupled with large amounts of supply that have been both delivered and added to the pipeline. However, Raleigh has the necessary demographic profile to absorb the supply. In the near term, Raleigh's affordability will continue to attract remote workers to the metro. Additionally, high per capita income and investment from diverse industries into its strong talent pool in the metro lures working-age individuals.
- Despite experiencing an economic slowdown in the tech sector, the Raleigh metro boasts a local economy that is rather diverse. 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.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

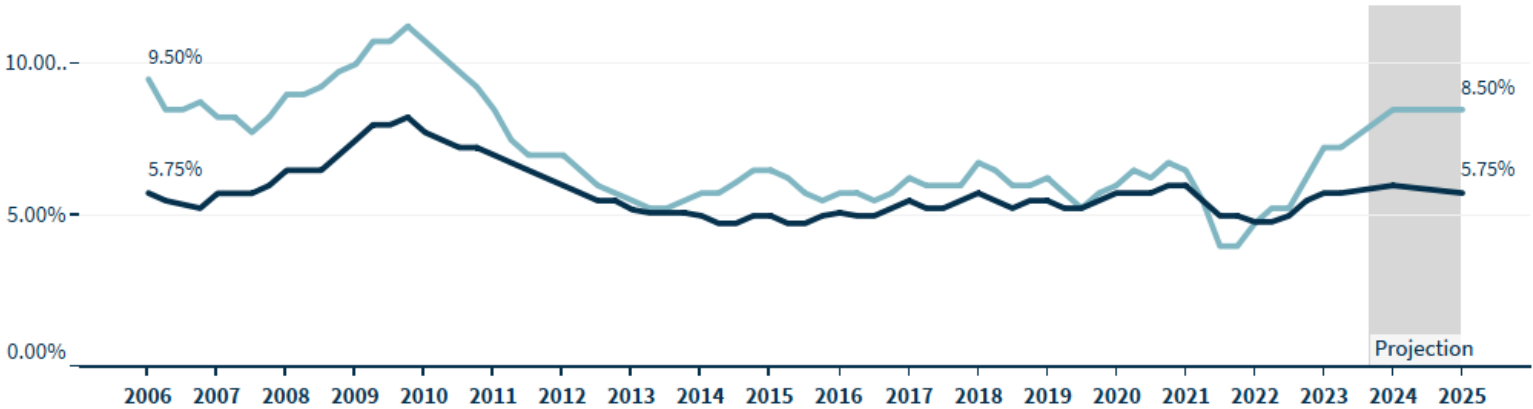
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Raleigh | National

Q3 2023 Vacancy Rate:

7.50%



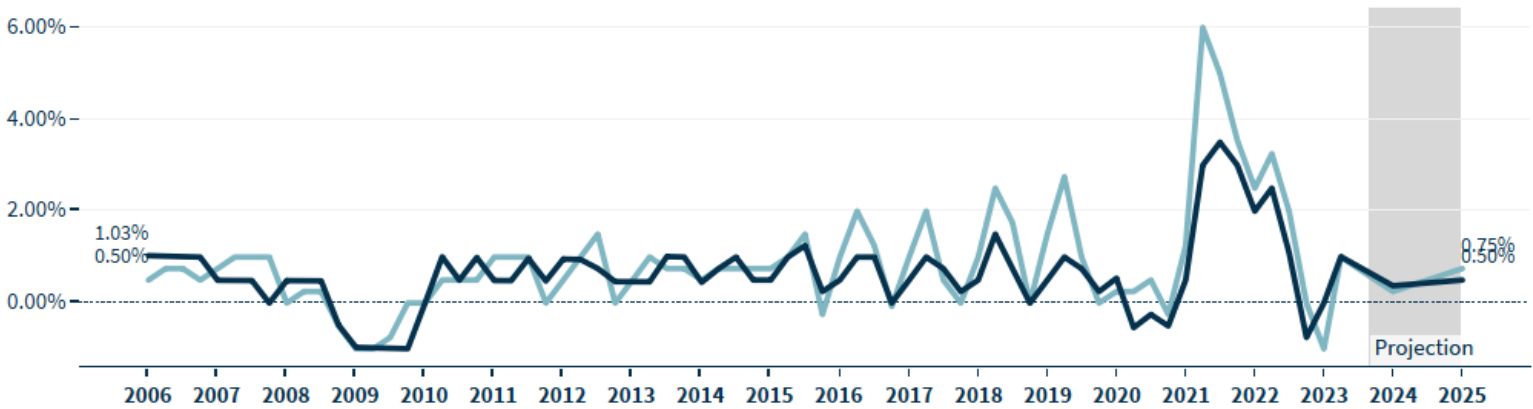
Projection

Asking Rent Growth

Raleigh | National

Q3 2023 Asking Rent:

\$1,530

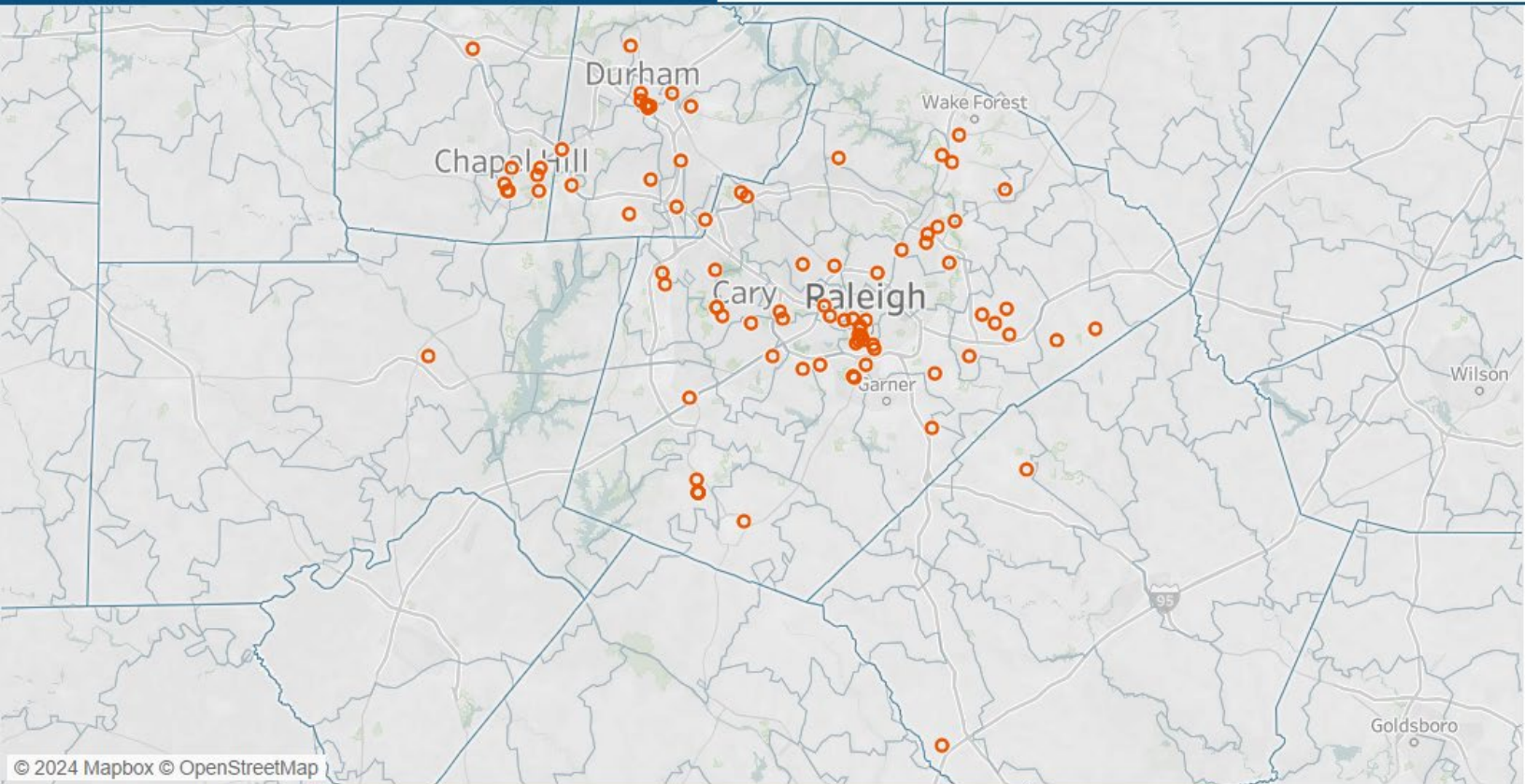


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Raleigh	18	4,132
Chapel Hill/Carrboro	10	2,265
East Durham	5	1,231
Far North Raleigh	5	654
Near North Raleigh	3	770
North Cary/Morrisville	7	1,663
Northeast Raleigh	8	1,565
Northwest Durham/Downtown	6	1,423
Northwest Raleigh	2	489
South Cary/Apex	11	1,149
Southeast Raleigh	15	2,079
Southwest Durham	3	644
Grand Total	93	18,064

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

Francisco Nicco-Annan, Economic and Strategic Research - Economics – Advisor

Sources Used

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

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