

# Multifamily Metro Outlook:

## Raleigh - Q3 2024

### Overview:

- Raleigh's local job market continues to expand at an above-average growth rate. The metro's payroll growth has surpassed both the national and state averages. As of Q3 2024, the local job market expanded by 2.7% compared to 1.4% nationally. All local employment sectors grew, even the tech and information sector, which had been slowing.
- The economic environment continues to have an impact on apartment fundamentals. During the period ending Q3 2024, vacancies remained elevated at 9%, and rent growth fell 1%. Even with vacancies remaining elevated, there is significant supply underway, with approximately 18,000 units scheduled to be delivered by the end of 2026. However, the metros' strong demographic profile should help absorb the incoming supply.

### Market Strengths:

- Raleigh's strong demographic trends will further boost demand. The metro's population is projected to grow at double the statewide rate and nearly four times the national rate, solidifying its status as one of the fastest-growing metro areas in the region. This rapid population increase will lead to a consistent rise in demand for health services in a market that is already underserved.
- Raleigh's tech renaissance has turned out to be fruitful for the market, despite the recent slowdown the sector has experienced. The high-tech sector now accounts for approximately 10% of local jobs in the Raleigh region. Furthermore, the recently passed CHIPS Act will be a boon to both the local tech and manufacturing sectors, as semiconductor development is prevalent in the metro.

### Market Weaknesses:

- Since Raleigh 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 has been above-average, according to Moody's Analytics, job growth has slowed from its rapid pace to slightly above-average. Furthermore, tech unicorns that grew rapidly (like Pendo, a product experience company) have been forced to trim employees, as they have been impacted by the slowdown in the sector.
- Raleigh is seeing payroll stagnation influenced by layoffs at major tech/information employment sector employers, such as Lenovo and Cisco Systems, which have each reduced their global workforces by up to 5%. Furthermore, tech employment had been making tremendous gains, outpacing peak pre-pandemic employment levels by 15%. However, over the last 18 months, those gains have been muted, and tech growth has fluctuated, although it seems to be regaining its footing.

### New Development:

- Oversupply is a potential issue for the metro. As of Q3 2024, there are approximately 18,000 units underway and an additional 91,000 in the planning stages.

### Outlook:

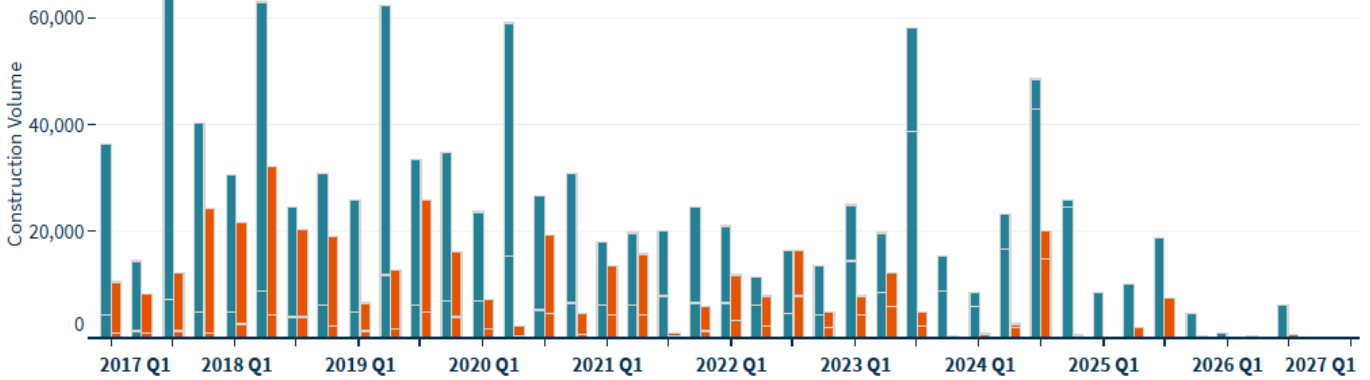
- Raleigh's apartment market fundamentals remain soft due to the current economic conditions and the substantial influx of new units, both completed and under development. Nevertheless, Raleigh's strong demographic profile, characterized by steady population growth, and a thriving job market, positions it well to eventually absorb this increased supply and stabilize the market over time.
- Despite a 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 its above-average presence of the high-tech sector and low business costs. However, due to the volatility of the high-tech sector, Raleigh will likely remain susceptible to employment shocks.



## Multifamily Apartment Pipeline

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

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

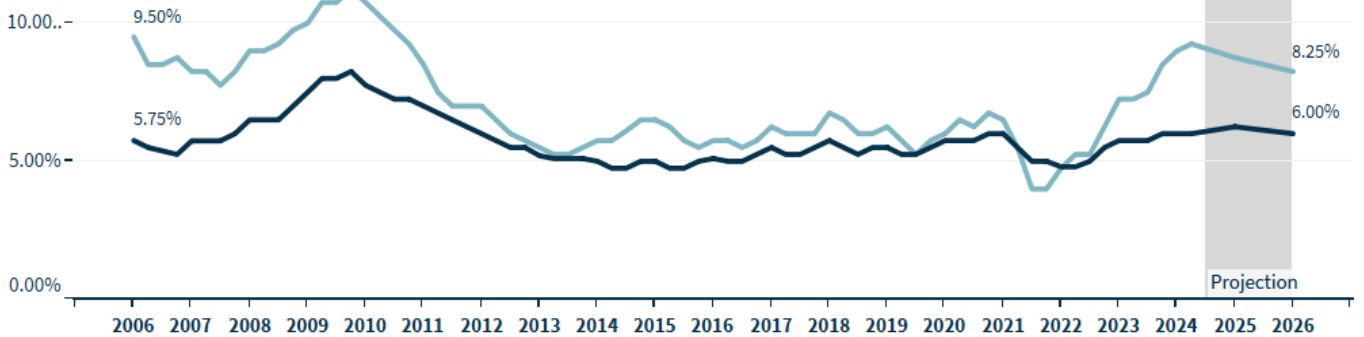
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Raleigh | National

Q3 2024 Vacancy Rate:

9.00%

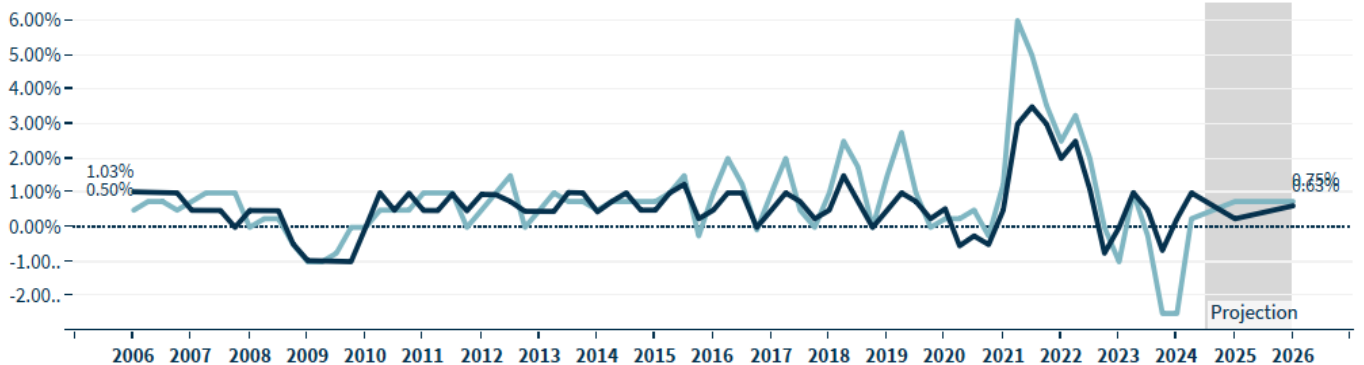


### Asking Rent Growth

Raleigh | National

Q3 2024 Asking Rent:

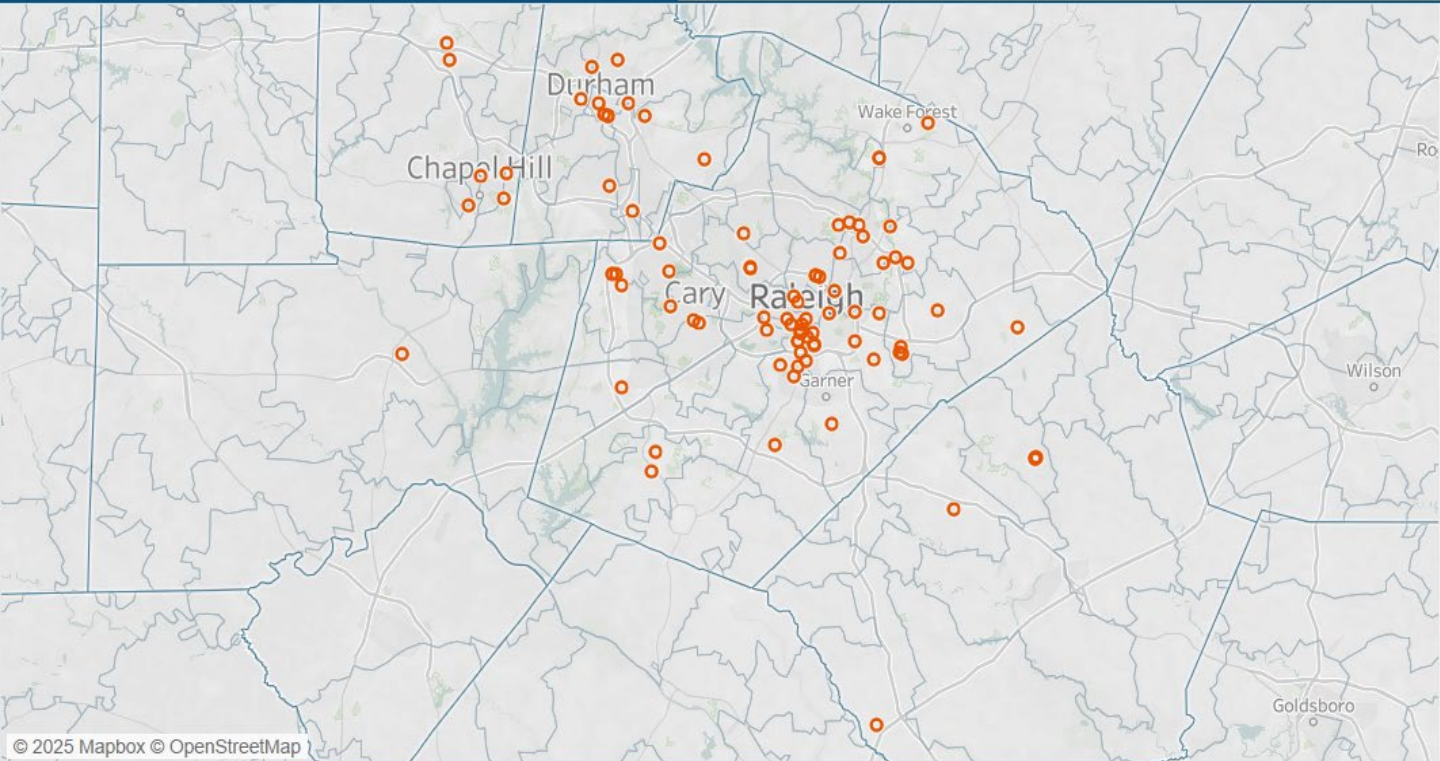
\$1,520



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central Raleigh	21	4,199
Chapel Hill/Carrboro	7	2,020
East Durham	6	1,447
Far North Raleigh	5	343
Near North Raleigh	5	1,060
North Cary/Morrisville	7	1,417
Northeast Raleigh	9	2,011
Northwest Durham/Downtown	5	1,000
Northwest Raleigh	1	119
South Cary/Apex	5	1,252
Southeast Raleigh	18	2,383
Southwest Durham	1	336
<b>Grand Total</b>	<b>90</b>	<b>17,587</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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