

Multifamily Metro Outlook:

Raleigh - Q4 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 Q4 2024, the local job market expanded by 1.3% compared to 1.2% nationally. While the tech and information sector has appeared to rebound from a downturn, the slowdown is still prevalent in the local manufacturing sector which has contracted by -1.2% compared to -0.7% nationally.
- The current economic environment continues to have an impact on apartment fundamentals. During the period ending Q4 2024, vacancies remained elevated at 9.25%, and rent growth fell to -1.5%. Even with vacancies remaining elevated, there is significant supply underway, with approximately 15,000 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, the slowdown that the tech sector experienced is now impacting the manufacturing sector. According to data from CoStar, the local manufacturing sector contracted by -1.2% compared to -0.7% nationally as the trade war intensifies with China, it is possible that this could be an extended period of slowdown for the sector.
- As a result of a burgeoning dependence on the local tech industry, the cost of living has increased markedly within the Raleigh metro. According to Moody's Analytics, the cost of living within the sector is now approximately 6% higher than the national average. Furthermore, the increased cost of living is also impacting the local apartment market as vacancies approach the highest levels seen in the last decade.

New Development:

- Oversupply is a potential issue for the metro. As of Q4 2024, there are approximately 15,000 units underway and an additional 87,000 in the planning stages.

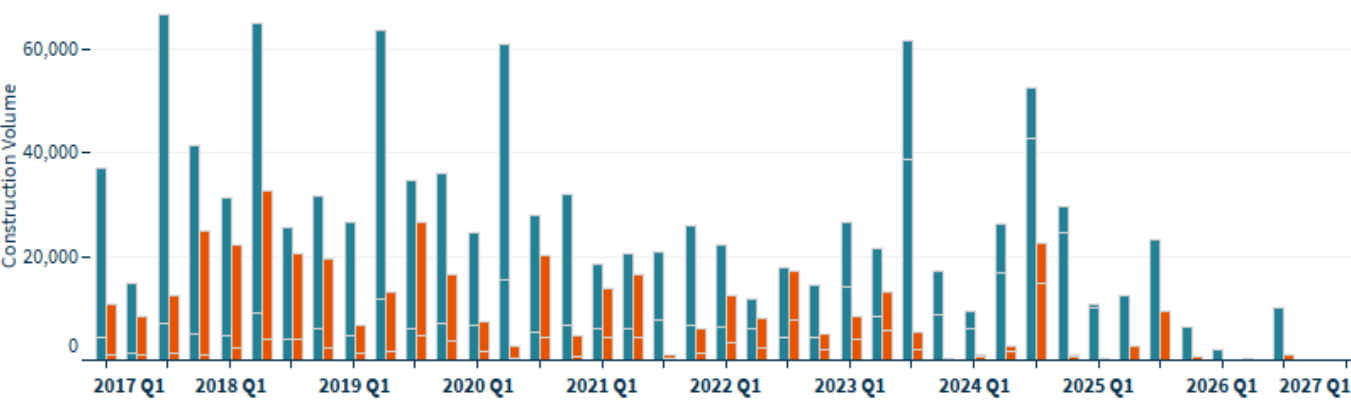
Outlook:

- 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 that has now permeated the local manufacturing 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

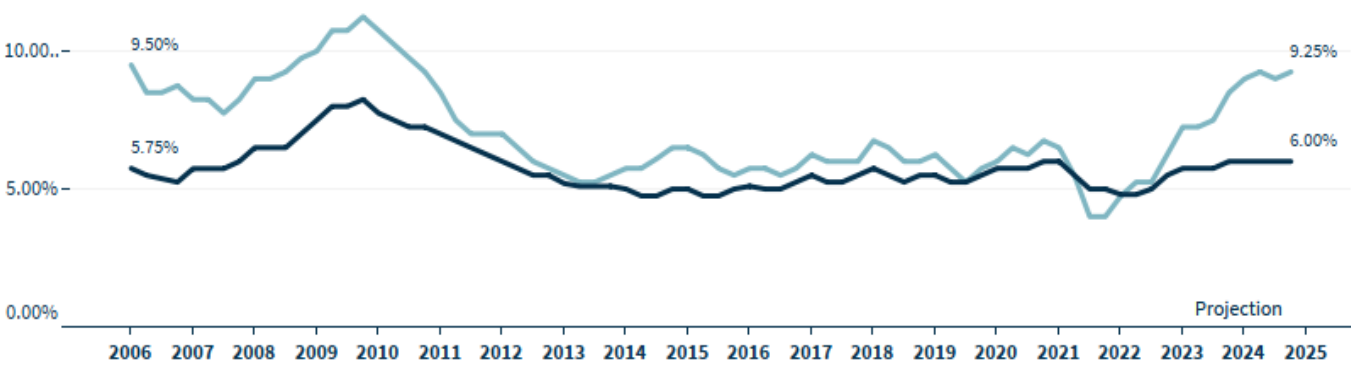
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Raleigh | National

Q4 2024 Vacancy Rate:

9.25%



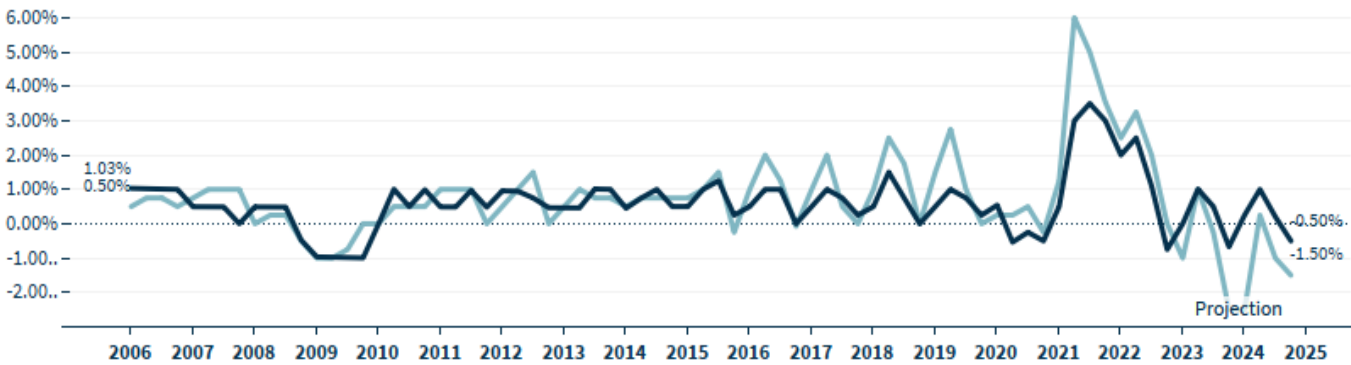
Projection

Asking Rent Growth

Raleigh | National

Q4 2024 Asking Rent:

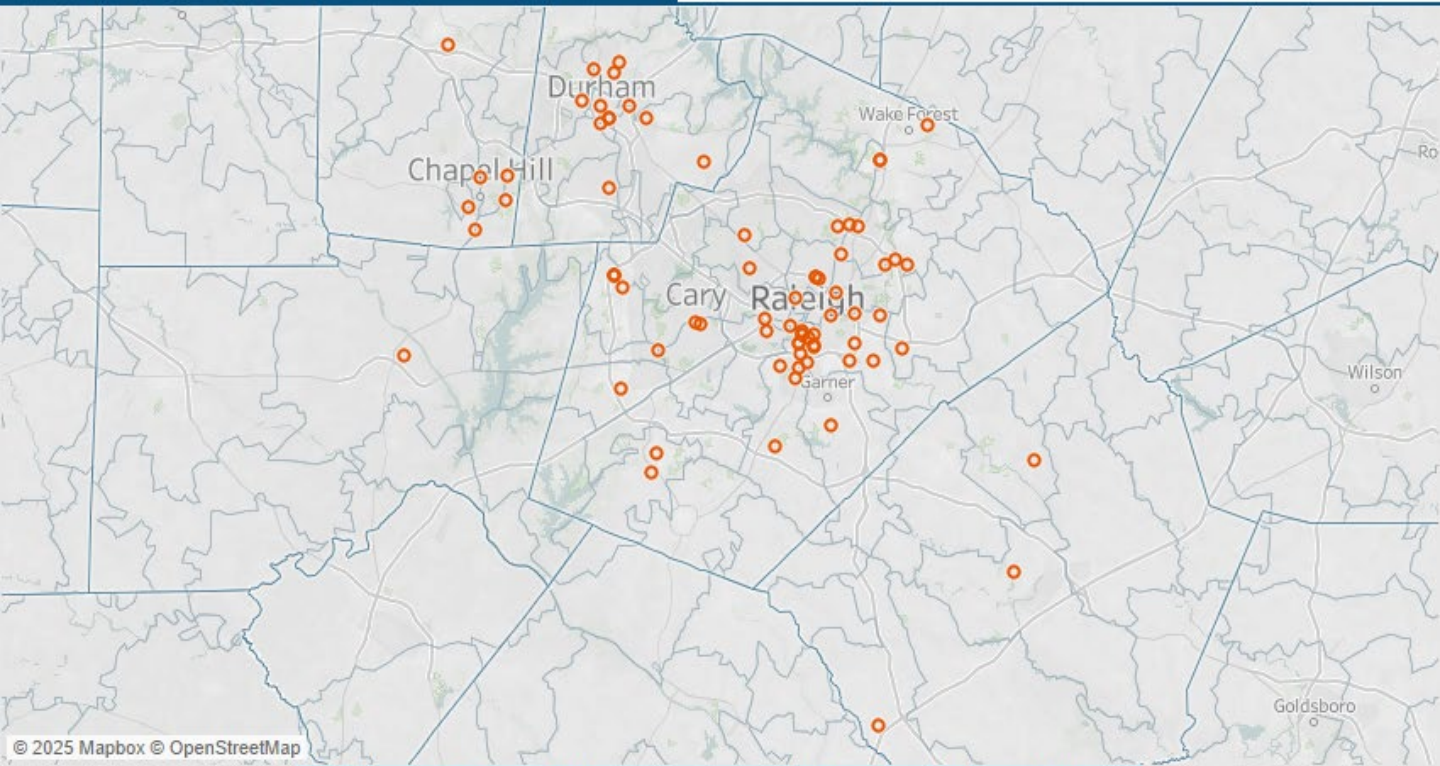
\$1,450



Projection

Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Raleigh	17	3,948
Chapel Hill/Carrboro	7	1,772
East Durham	6	1,197
Far North Raleigh	5	332
Near North Raleigh	4	1,053
North Cary/Morrisville	4	453
Northeast Raleigh	6	1,049
Northwest Durham/Downtown	4	890
Northwest Raleigh	1	119
South Cary/Apex	6	1,480
Southeast Raleigh	13	2,423
Southwest Durham	2	436
Grand Total	75	15,152

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
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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