

Metro Housing Outlook:

Raleigh - Q2 2024

Overview:

- Raleigh's local job market continues to expand at an above-average growth rate. The metro has easily surpassed both the national and state averages regarding payroll growth. As of Q2 2024, the local job market expanded by 2.7% compared to 1.5%. In fact, all local employment sectors grew, except for the tech and information sector, which contracted by 0.3% compared to a 0.2% contraction nationally.
- The current economic environment continues to have an impact on apartment fundamentals. During the period ending Q2 2024, vacancies continued to soften to 9.25%. Rent growth has improved, albeit slightly, as it grew to 0.25% during the same period. Even with vacancies continuing to rise, there is still significant supply underway, with approximately 19,000 units scheduled to be delivered by the end of 2025. However, the strong demographic profile in the metro 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 is experiencing. 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 (like the one that is currently happening). Even though recovery in the sector has performed 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 contracted, as it has during this most recent quarter.

Outlook:

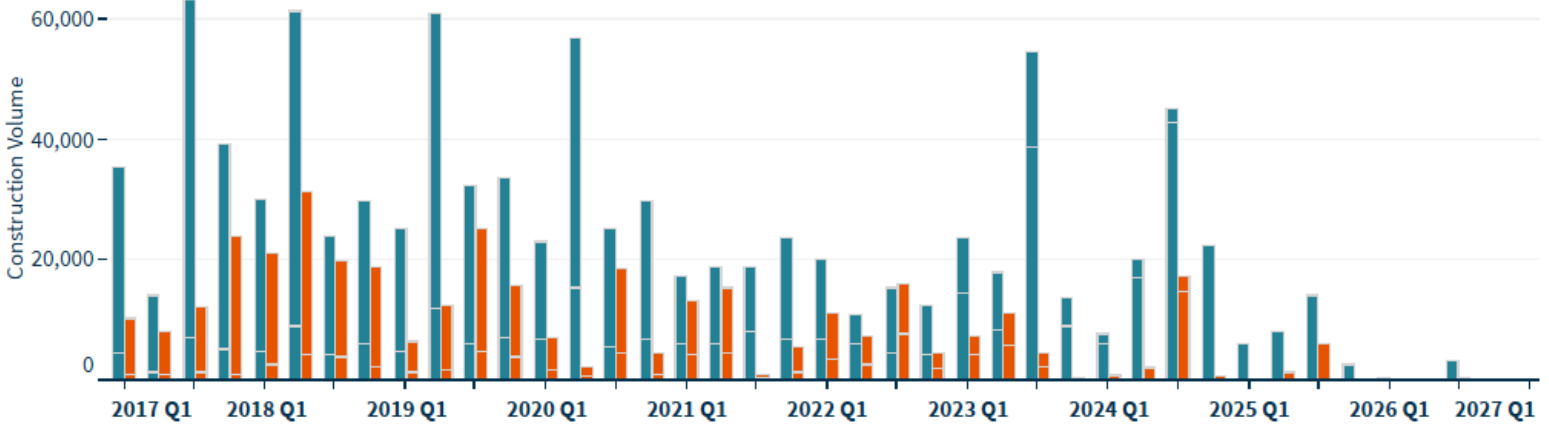
- Raleigh's apartment market fundamentals remain soft due to the current economic conditions and the substantial influx of new units, both completed and under development. Nevertheless, Raleigh's strong demographic profile, characterized by steady population growth, and a thriving job market, positions it well to eventually absorb this increased supply and stabilize the market over time.
- Despite 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

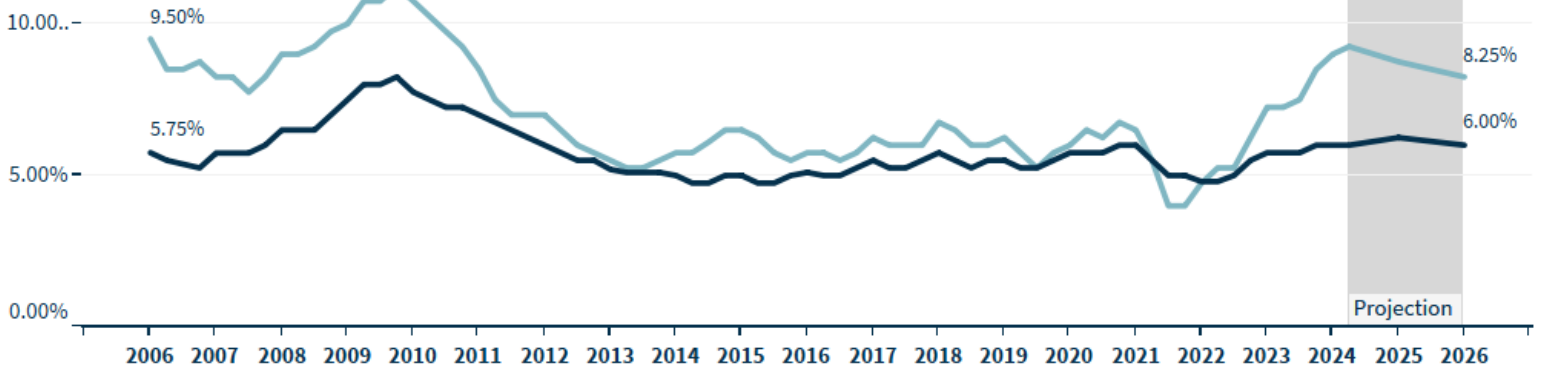
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Raleigh | National

Q2 2024 Vacancy Rate:

9.25%

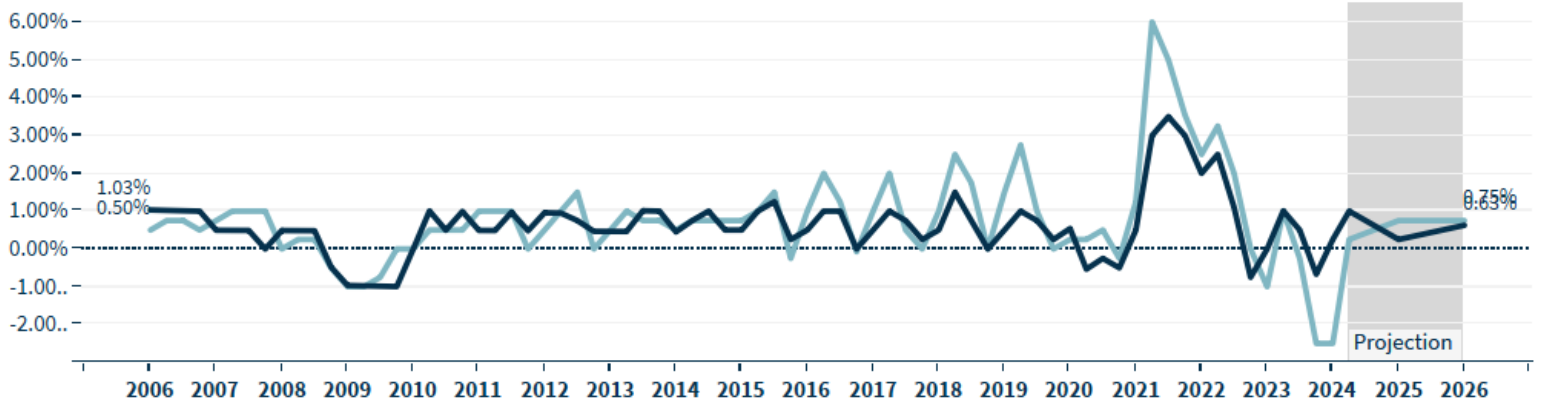


Asking Rent Growth

Raleigh | National

Q2 2024 Asking Rent:

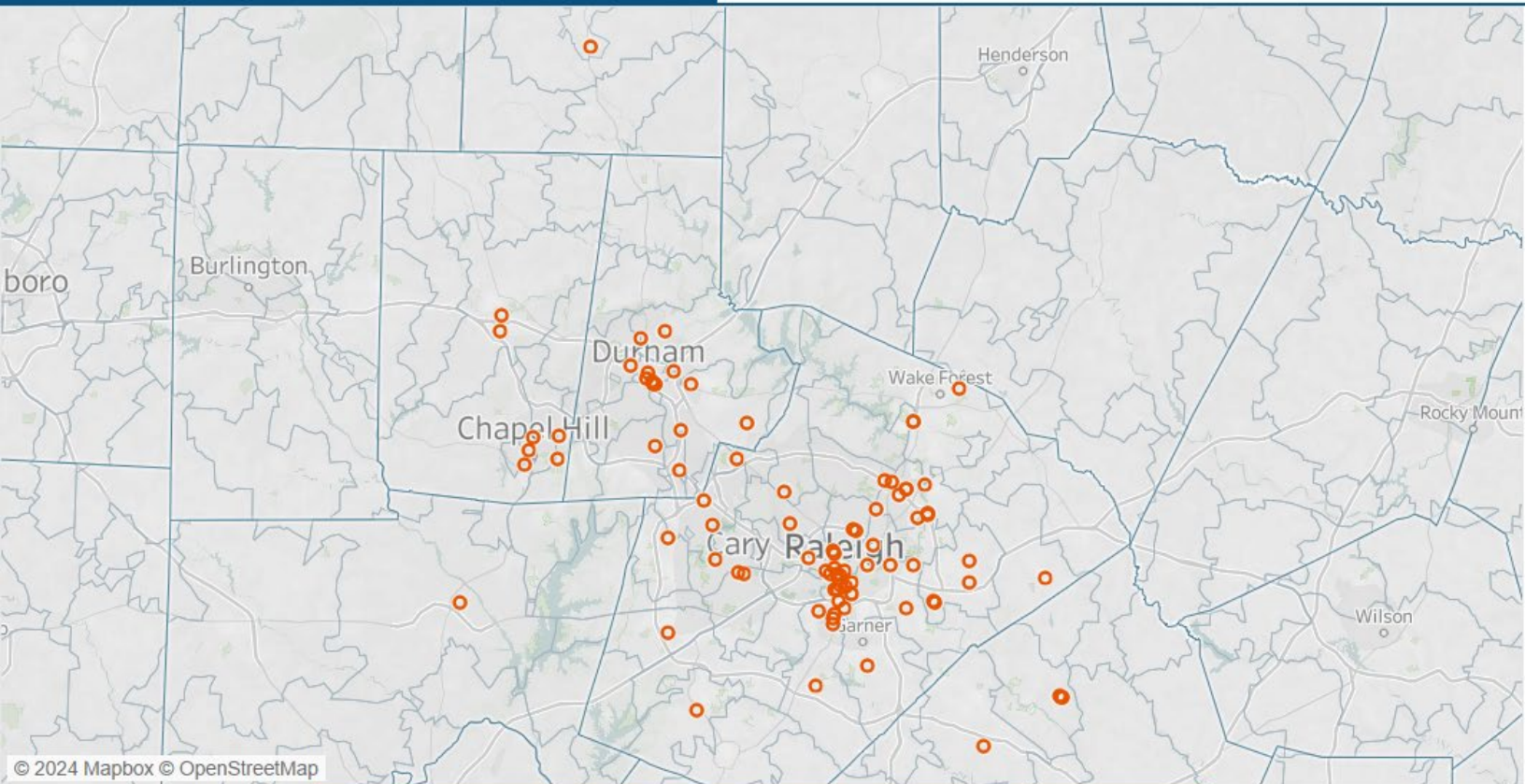
\$1,520



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Raleigh	21	4,681
Chapel Hill/Carrboro	8	2,066
East Durham	8	1,959
Far North Raleigh	4	324
Near North Raleigh	3	660
North Cary/Morrisville	4	1,264
Northeast Raleigh	12	1,865
Northwest Durham/Downtown	8	1,856
Northwest Raleigh	2	343
South Cary/Apex	4	975
Southeast Raleigh	16	2,220
Southwest Durham	1	336
Grand Total	91	18,549

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: Raleigh Q2 2024

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 SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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