

# Demand remains strong as supply growth begins to ease

## HIGHLIGHTS

- Property trends recorded in the first quarter carried over into the second quarter, with vacancy rising and asking rents inching higher. The pace of multifamily deliveries in Raleigh-Durham is starting to slow following rapid supply growth in 2024 and early 2025.
- Renter demand remains elevated, but the vacancy rate ticked up amid heightened supply growth. Area vacancy trended higher by 20 basis points during the second quarter to 8.0%. Year over year, the vacancy rate increased by 50 basis points.
- Asking rents rose 0.3% during the past three months to \$1,602 per month. Still, rents are down 0.6% from one year ago, as losses during the second half of last year were more substantial than the growth recorded to this point in the year.
- Transaction volume has remained limited to this point in the year, with total sales in the past six months trailing the region's trailing 10-year first-half average by 90%. The median price year-to-date is \$208,200 per unit, down 6% from levels recorded in 2024.

## RALEIGH-DURHAM MULTIFAMILY MARKET OVERVIEW

The pace of multifamily deliveries began to taper off in recent months following a period of heightened completions. Projects totaling approximately 2,400 units came online during the second quarter, down 33% from the first quarter. Additionally, the development pipeline has contracted roughly 30% during the past year. Although supply-side pressures are beginning to ease, the cumulative impact of the inventory growth in recent years continues to push local vacancy higher. Vacancy closed the first half at 8.0%, up 50 basis points year over year, though increases are being mitigated by robust absorption levels. Year to date, apartments in Raleigh-Durham have recorded net move-ins for more than 5,100 units, closely tracking the pace set in the same period of 2024, a year in which net absorption reached a cyclical high. Although vacancy is up across most areas in the region, conditions in Chapel Hill, East Raleigh, and Northeast Raleigh have all improved during the past year, as renter demand has increased more dramatically in these areas. Asking rents inched lower on a year-over-year basis, as operators prioritize occupancy over rental increases.

Sales activity in the Raleigh-Durham multifamily investment market continues to trail traditional levels, with transaction volume in the first half of 2025 matching the light levels recorded during the same period in 2024. The median price to this point in the year is \$208,200 per unit, down 6% from last year. Pricing has trended lower despite 40% of sales so far in 2025 involving assets built in the 2020s. Last year, assets completed since 2000 accounted for roughly 75% of transactions; this figure has fallen to 50% in 2025, with no properties from the 2010s changing hands. The absence of 2010s vintage deals has driven some of the price decline, as these assets previously traded between \$200,000 per unit and \$275,000 per unit, reaching as high as \$350,000 per unit in some cases. Recent sales activity has been dispersed across the market, with no submarket posting more than one transaction exceeding \$10 million in 2025. Historically, submarkets like Northeast Raleigh, North Cary/Morrisville, Downtown Durham, and Downtown Raleigh have led in sales activity.

### CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **12,438**

UNITS DELIVERED (YTD) **6,068**

### MARKET FUNDAMENTALS



VACANCY RATE **8.0%**

YEAR-OVER-YEAR CHANGE **+50bps**

ASKING RENTS **\$1,602**

YEAR-OVER-YEAR CHANGE **-0.6%**

### TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$208,200**

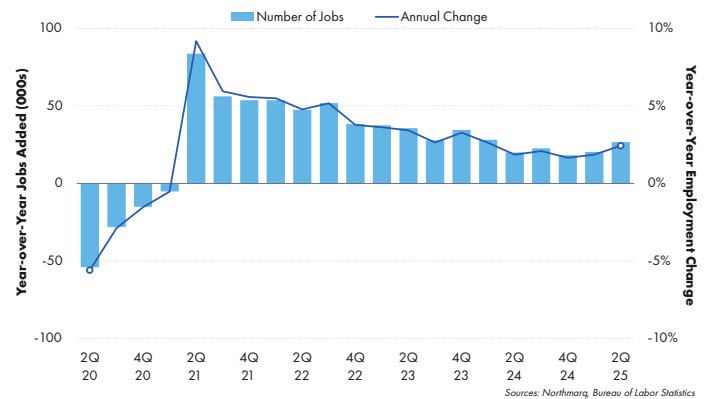
RALEIGH-DURHAM  
MULTIFAMILY  
2Q 2025

## EMPLOYMENT

- Employment growth in the Raleigh-Durham labor market was solid in recent periods. Area employers added 26,700 positions during the past year, an increase of 2.4%. In the trailing 10 years, total employment expanded by an average of 2.5% per year.
- The professional and business services sector was among the leaders for job additions in the region during the past 12 months. Year over year, employment in this sector rose by 3.2%, with the hiring of 6,700 new workers.
- RapidScale, a locally based IT company, is exploring options for further expansion in Downtown Raleigh. While no definitive decisions have been made, the company has filed a permit application for 24,000 square feet of space in the Smoky Hollow development downtown. The company currently employs 150 workers in the area.
- **FORECAST:** The pace of employment growth set in the first half of 2025 should continue through the end of the year. Local employers are projected to hire 27,000 workers in 2025, an increase of 2.4%.

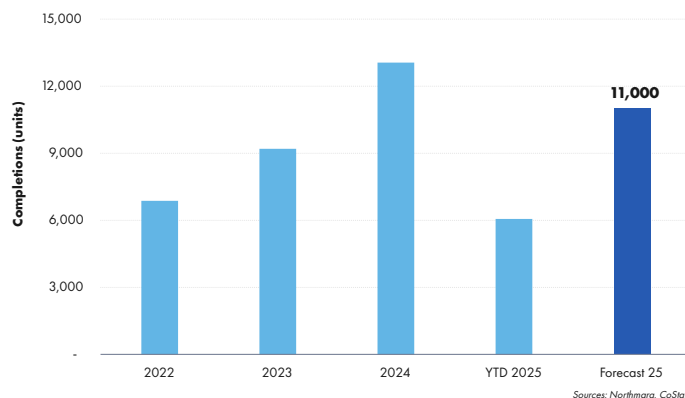
*Area employers added 26,700 positions during the past year.*

### EMPLOYMENT OVERVIEW



*To this point in the year, nearly 6,100 units have been completed.*

### DEVELOPMENT TRENDS

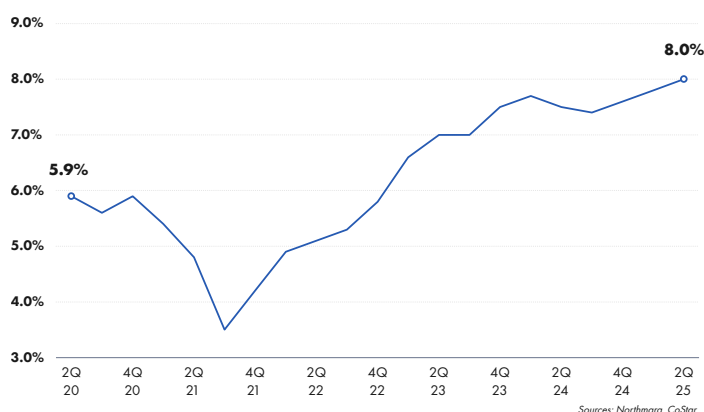


## DEVELOPMENT & PERMITTING

- After a strong start to the year, the pace of multifamily deliveries slowed in recent months, as projects totaling roughly 2,400 units came online during the second quarter. To this point in the year, nearly 6,100 units have been completed, trailing levels recorded in the same period of 2024 by 10%.
- Projects totaling approximately 12,400 units are currently under construction, down nearly 30% from levels recorded one year ago. Construction starts have slowed since peaking in 2023, with 2,200 units breaking ground in the past six months. By comparison, more than 7,800 units began development in the first half of 2023, and 3,300 units in the first half of 2024.
- Multifamily permitting has been steady to this point in 2025. Developers pulled permits for roughly 2,000 units during the second quarter, nearly identical to levels recorded in the preceding three months. On average, permits for more than 2,300 units were issued per quarter in the trailing five years.
- **FORECAST:** Completions for the full year are expected to surpass historical averages but remain below the peak levels recorded in 2024. Projects totaling approximately 11,000 units are slated for delivery in 2025, down 16% from last year. From 2019 to 2023, annual deliveries averaged around 6,500 units prior to the 2024 peak.

*Year over year, the vacancy rate has trended higher by 50 basis points.*

#### VACANCY TRENDS



## VACANCY

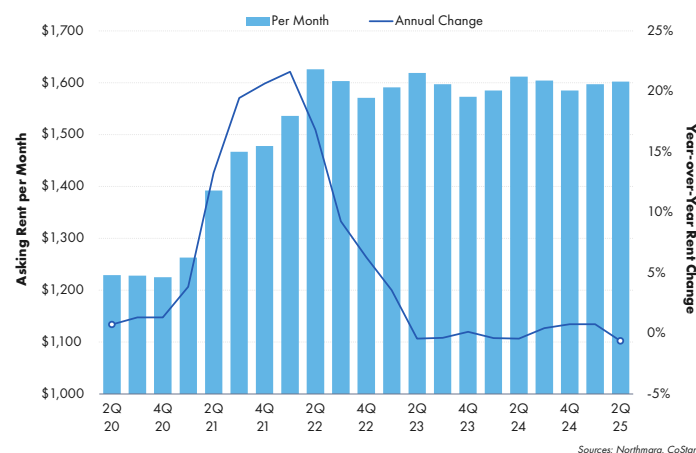
- The vacancy rate in Raleigh-Durham continued to rise in recent months. Area vacancy increased by 20 basis points during the second quarter to 8.0%. Year over year, the vacancy rate has trended higher by 50 basis points.
- Vacancy conditions in Northeast Raleigh performed well in recent quarters, as renter demand was heightened and the construction pipeline contracted. The vacancy rate in this submarket declined by 50 basis points during the past year to 8.5%. In the same time frame, the pipeline decreased by 48% and net move-ins for 1,400 units were posted, a peak for the period.
- While vacancy trends in Chapel Hill have been volatile in recent years, this area posted the greatest vacancy improvement in the region during the past 12 months. The vacancy rate in Chapel Hill closed the first half of 2025 at 9.8%, down 180 basis points from peak levels recorded one year ago.
- FORECAST:** After trending higher for three consecutive quarters, the vacancy rate is projected to hold at around 8% through the end of the year, as absorption should remain elevated.

## RENTS

- Mirroring trends recorded since 2022, asking rents in Raleigh-Durham continue to record gains in the first half of the year, but growth has tapered off to this point in 2025. Area rents are currently \$1,602 per month, down 0.6% year over year.
- Rents inched lower across most submarkets over the past year. Apartment rents in Northeast Raleigh declined by 1.0% during the past 12 months to \$1,628 per month. Rents in the region's largest submarket, North Cary/Morrisville, decreased 2.1% year over year, but this submarket led the region in demand during the past year, posting net move-ins for more than 1,900 units.
- Asking rents for Class A properties continue to be impacted by the addition of competitive supply. Top-tier rents inched lower by 0.3% during the past 12 months to \$1,874 per month.
- FORECAST:** Area rents are expected to inch lower during the second half of 2025, tracking trends recorded in the preceding three years. The projected downturn through the end of the year should be modest, as first-half gains will likely offset second-half losses. Rents are forecast to close 2025 at \$1,590 per month, up 0.3% annually.

*Area rents are currently \$1,602 per month.*

#### RENTS TRENDS

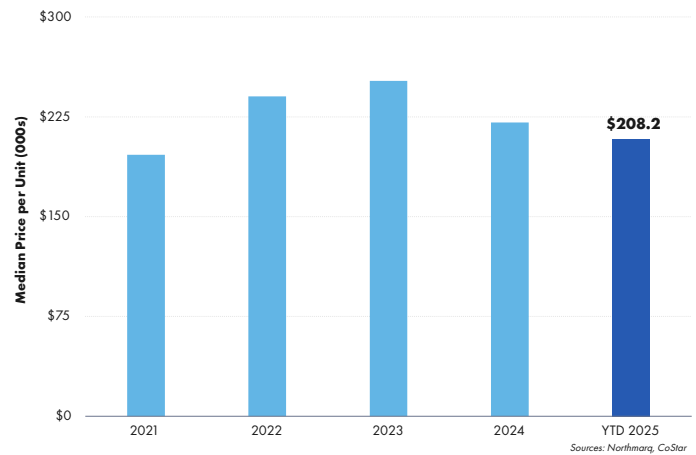


## MULTIFAMILY SALES

- Transaction volume remains light as total sales during the past three months lagged the region's trailing 10-year average for the second quarter by 40%. Sales velocity to this point in 2025 is identical to the limited levels recorded in the same period of 2024.
- The median price through the first half of 2025 was \$208,200 per unit, down 6% from last year. In 2023, the median price peaked at more than \$250,000 per unit.
- Pricing is down despite properties built in the 2020s accounting for 40% of the sales mix, tracking levels recorded last year. The recent dip is being driven by the lack of 2010s vintage assets changing hands; properties built in the 2010s traded at a median price of \$237,300 per unit last year, and made up more than 20% of the transactions.
- Cap rates continued to range between 4.75% and 5.25% during the second quarter, differing based on location and asset.

*The median price through the first half of 2025 was \$208,200 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

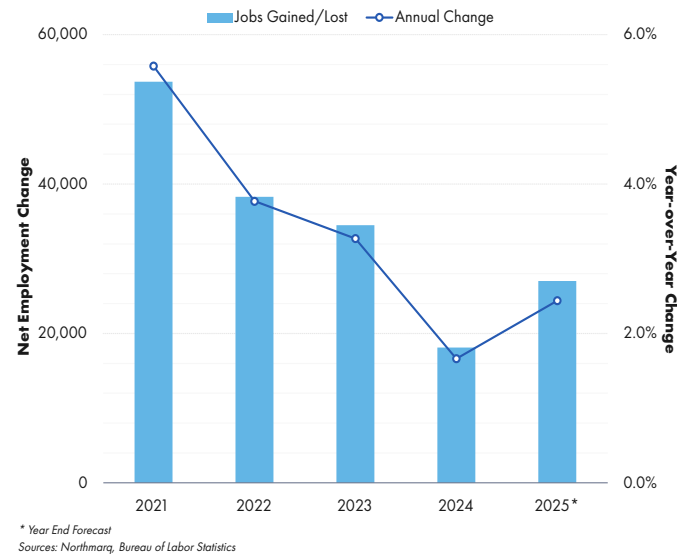
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Averly at Flowers	380 Topwater Dr., Clayton	2023	396	\$92,000,000	\$232,323
Century Grove Park	1700 Red Grove Ln., Knightdale	2024	312	\$73,000,000	\$233,974
Oak City Apartments	3131 Calvary Dr., Raleigh	1988	204	\$30,900,000	\$151,471
Heritage Apartments	405 Thomas Burke Dr., Hillsborough	2000	144	\$23,656,000	\$164,278

## LOOKING AHEAD

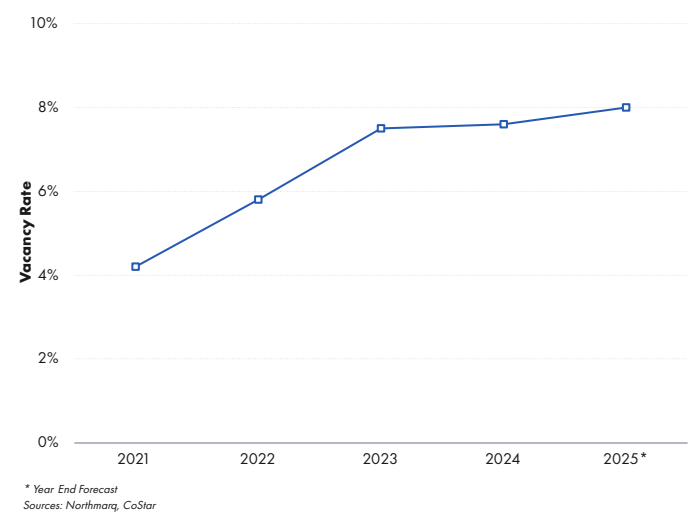
Multifamily completions are scheduled to continue through the end of the year, as projects totaling 11,000 units are expected to come online in 2025, lagging last year's peak but remaining above the historical trend. Healthy employment growth and net-migration should sustain renter demand, leading to vacancy conditions stabilizing after four years of gradually rising higher. The vacancy rate will likely remain around 8.0% through the end of 2025. Rent growth is projected to remain relatively flat in the coming quarters as the Raleigh-Durham multifamily market continues to progress through the recent inventory additions. Rent gains should ramp up in 2026 once the pace of multifamily deliveries slows.

Transaction volume in the Raleigh-Durham multifamily investment market may continue to trail historic levels but will likely outpace total sales recorded in 2024. Elevated inventory growth and relatively flat rental trends in recent years have dragged on sales activity, but these conditions should begin to improve in late 2026 and early 2027. Assets built within the past five years are expected to continue to account for the greatest share of the sales mix through the end of 2025, as these properties have strong potential once rent growth picks up. Additionally, sales velocity for properties built between 2000 and 2019 may accelerate, after limited volumes in the first half.

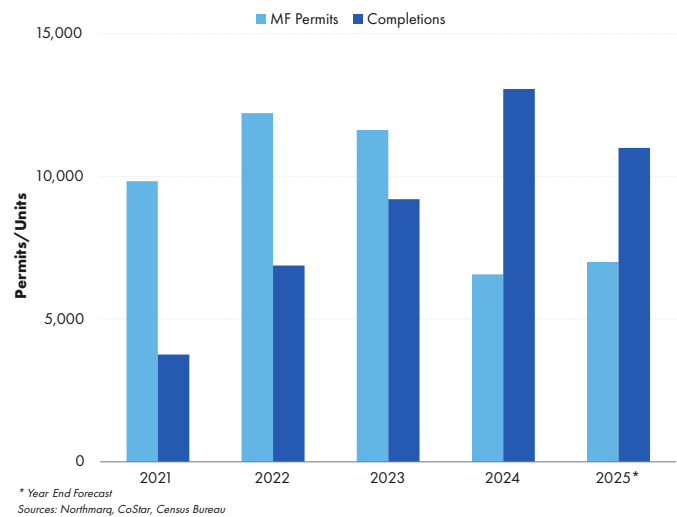
### EMPLOYMENT FORECAST



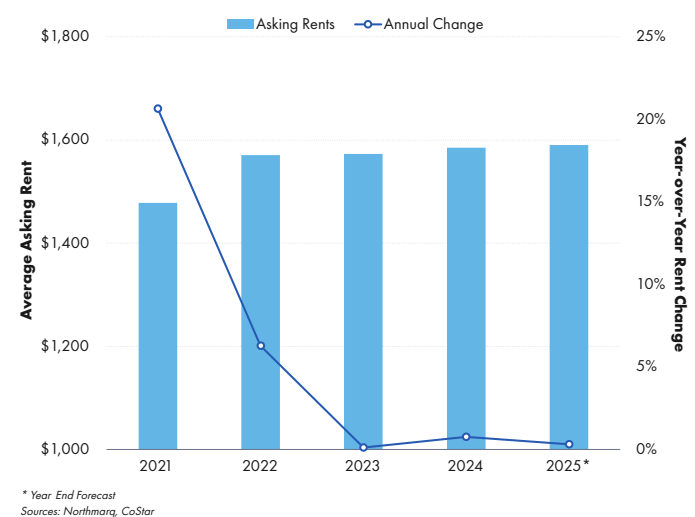
### VACANCY FORECAST



### CONSTRUCTION & PERMITTING FORECAST



### RENTS FORECAST





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