

Vacancy levels off as new construction starts decline

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **8,388**

UNITS DELIVERED (YTD) **9,453**

MARKET FUNDAMENTALS



VACANCY RATE **7.7%**

YEAR-OVER-YEAR CHANGE **+30bps**

ASKING RENTS **\$1,571**

YEAR-OVER-YEAR CHANGE **-2.1%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$212,200**

RALEIGH-DURHAM
MULTIFAMILY
Q3 2025

HIGHLIGHTS

- Property performance in the Raleigh-Durham multifamily market was mixed during the third quarter as vacancy trended lower while asking rents recorded a decline. Completions have been elevated, but below the peak levels recorded in 2024. Year to date, projects totaling approximately 9,500 units have come online, down 9% from the same period of 2024.
- Despite supply-side pressures, area vacancy improved in recent months after rising in the preceding three quarters. The rate declined by 30 basis points during the third quarter to 7.7%. On a year-over-year basis, vacancy remains up 30 basis points.
- Average asking rents are currently \$1,571 per month, down 1.9% for the quarter and 2.1% year over year.
- Sales activity has been light since the beginning of last year. Year to date, total sales are nearly identical to the levels recorded in the same period of 2024. Pricing has softened slightly, with the median sale price at \$212,200 per unit, down 4% from 2024.

RALEIGH-DURHAM MULTIFAMILY MARKET OVERVIEW

Despite a decline in average asking rents during the third quarter, operating fundamentals exhibited strength across some key metrics. Since the start of 2024, apartments in Raleigh-Durham have absorbed more than 19,400 units. From 2020 to 2023, there were roughly 19,900 net move-ins recorded. Overall, the vacancy rate has remained within a relatively tight range since the start of 2024, fluctuating between 7.5% and 8.0%. The rate improved by 30 basis points during the third quarter to 7.7%. Projects totaling approximately 9,500 units have been delivered year to date, exceeding traditional norms but lagging levels recorded in the same period of last year. The construction pipeline continues to contract following prior periods of heightened supply growth. Development activity has declined throughout much of the region, with only a few submarkets having significant totals of projects in the pipeline. South Cary/Apex has nearly 1,800 units under construction, while projects totaling more than 1,450 units are under construction in Chapel Hill.

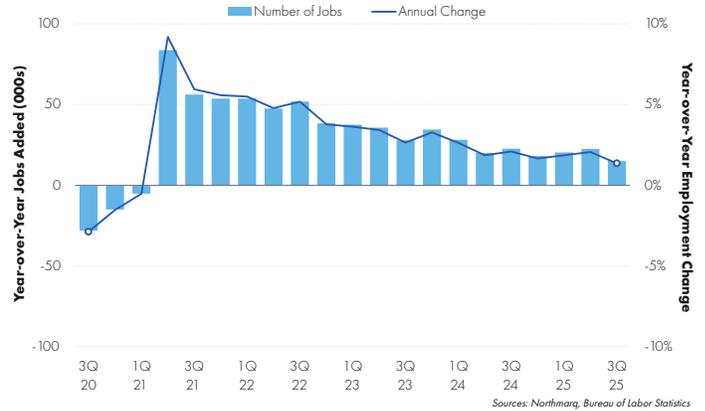
Properties continue to change hands in the Raleigh-Durham multifamily market, but at a pace below historical norms. Year to date, sales totals are closely tracking the limited levels recorded during the same period in 2024, while per-unit pricing is down slightly. The Raleigh portion of the region has accounted for two-thirds of total transactions through the first nine months of this year, a slightly larger share of total volumes than in past years. Activity has accelerated in Northeast Raleigh, accounting for 25% of sales since the start of 2025, despite not recording a transaction during the first quarter. Last year, Northeast Raleigh, South Durham, and South Cary/Apex led the way for investment totals. Newer builds continue to trade. Properties built in the 2020s have made up 27% of sales in 2025, the greatest share of any vintage, matching trends recorded in each of the prior two years.

EMPLOYMENT

- Employment additions in Raleigh-Durham slowed in recent months after solid growth in the preceding periods. Over the past year, area employers expanded payrolls by 14,900 workers, an increase of 1.4%. Between 2023 and 2024, growth averaged 2.7%.
- The education and health services sector continues to be a reliable source of job additions. Year over year, total employment in this sector rose by 4,700 positions, a 2.6% increase.
- Los Angeles-based software company, BuildOps, recently opened an office in the Glenwood South District in Raleigh. The company initially planned to hire 300 workers in the coming years but may be on track to surpass that figure. BuildOps has already hired 100 employees in Raleigh.
- **FORECAST:** Employment growth for the full year is projected to be below trend, similar to levels recorded in 2024. The local labor market is forecast to increase by 1.6% during 2025, with the addition of 17,700 employees. In the trailing decade, annual employment gains averaged 2.5%.

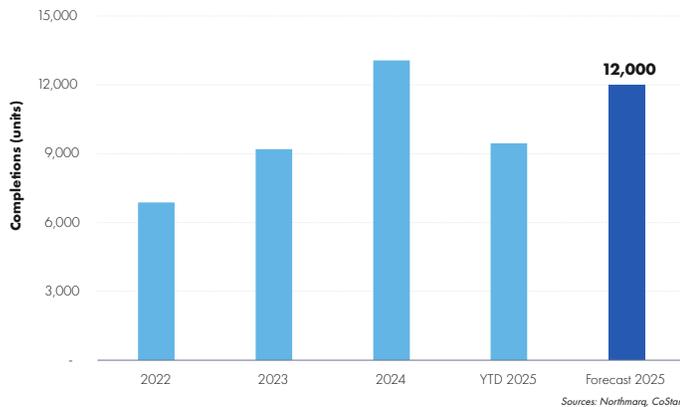
Area employers expanded payrolls by 14,900 workers.

EMPLOYMENT OVERVIEW



Nearly 8,400 units are currently under construction.

DEVELOPMENT TRENDS

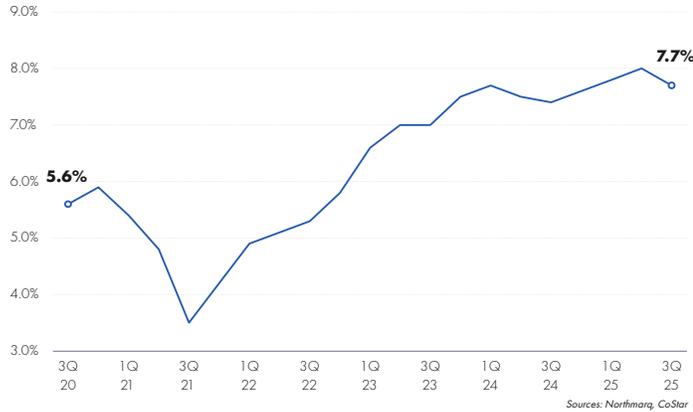


DEVELOPMENT & PERMITTING

- Year to date, projects have come online at a strong clip, outpacing most years, but lagging the peak levels recorded in 2024. Projects totaling roughly 9,500 units have been completed to this point in the year. During the same period of 2024, approximately 10,400 units were delivered.
- Projects totaling nearly 8,400 units are currently under construction, down 38% from one year ago. About 4,600 units are under construction in Wake County, with another 2,200 units in development in Durham County.
- Multifamily permitting accelerated in recent months after a steady start to 2025. Developers pulled permits for approximately 2,500 units during the third quarter, up 30% from levels recorded in the second quarter.
- **FORECAST:** Projects totaling 12,000 units are expected to be delivered in 2025, down 8% from the peak levels of last year but still exceeding traditional norms. Supply growth should return to trend next year, with roughly 6,000 units slated for completion in 2026.

The vacancy rate is up 30 basis points annually.

VACANCY TRENDS



VACANCY

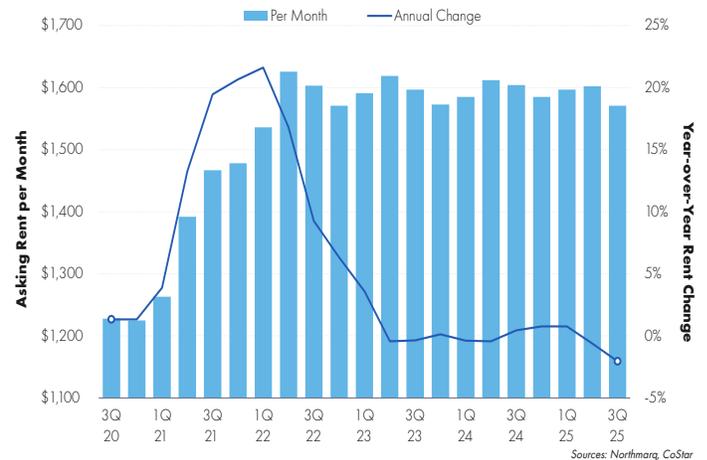
- Vacancy conditions in Raleigh-Durham improved in recent months after the rate trended higher in the preceding three quarters. Area vacancy declined by 30 basis points during the third quarter to 7.7%. Still, the rate is up 30 basis points annually.
- While vacancy trends were mixed across submarkets, the Northeast Raleigh and East Raleigh submarkets posted some of the greatest improvements. Year over year, the vacancy rate in Northeast Raleigh declined by 110 basis points to 7.8% while the rate in East Raleigh fell by 170 basis points to 8.1%.
- The current vacancy rate for top-tier assets is 8.5%, up 50 basis points from one year ago. Although rates are above historical norms, absorption for high-end units has been elevated in the face of strong supply growth. Since the beginning of 2024, Class A properties posted net move-ins for roughly 10,700 units, up 27% from levels recorded from 2021 to 2023.
- **FORECAST:** Additional supply growth should push vacancy higher in the closing months of the year. Area vacancy is projected to close 2025 at 8.0%, up 40 basis points for the full year.

RENTS

- After rising in the first half, rents declined during the third quarter. This same trend has occurred every year since 2022. Asking rents in Raleigh-Durham decreased by 1.9% during the past three months to \$1,571 per month. Year over year, rents trended lower by 2.1%.
- Rents declined in most submarkets during the past year, with Chapel Hill being one of the few areas to post gains. Asking rents in Chapel Hill advanced by 1.2% in the past 12 months to \$1,643 per month.
- Inventory additions continued to drag on Class A rents, but decreases are tapering off. Top-tier rents are currently \$1,858 per month, down 1.1% from one year ago. In the third quarter of 2024, Class A rents were down 2.4% year over year.
- **FORECAST:** Apartment rents are expected to continue to decline in the closing months of 2025, as rent decreases in the second half should outweigh the increases posted in the first half. Area rents are projected to end the year at \$1,560 per month, down 1.6% annually.

Top-tier rents are currently \$1,858 per month.

RENTS TRENDS

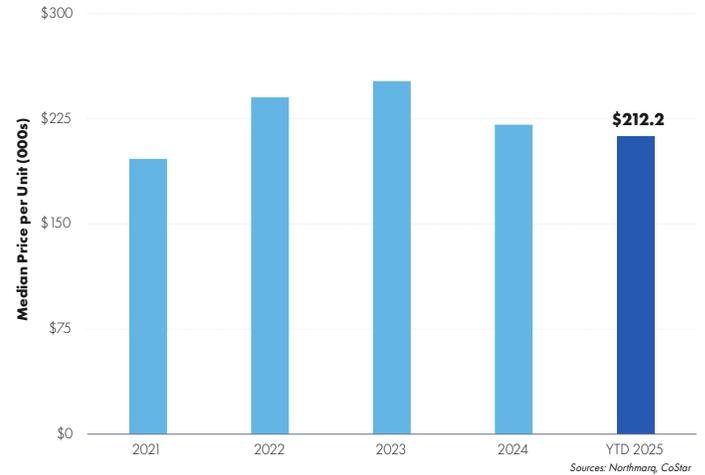


MULTIFAMILY SALES

- While activity remains below traditional levels, the market is generating consistent sales. To this point in the year, sales velocity in Raleigh-Durham is nearly identical to the pace set in 2024.
- Year to date, the median sale price is \$212,200 per unit, down 4% from last year. Pricing has trended higher in the region’s most active submarket, Northeast Raleigh. The median price in Northeast Raleigh is \$215,600 per unit to this point in 2025, up 18% from last year.
- Cap rates have remained flat in recent periods, but there is some difference between Raleigh and Durham. Rates are higher in Durham, averaging 5.5%, while in Raleigh they average 5.25%.

Year to date, the median sale price is \$212,200 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

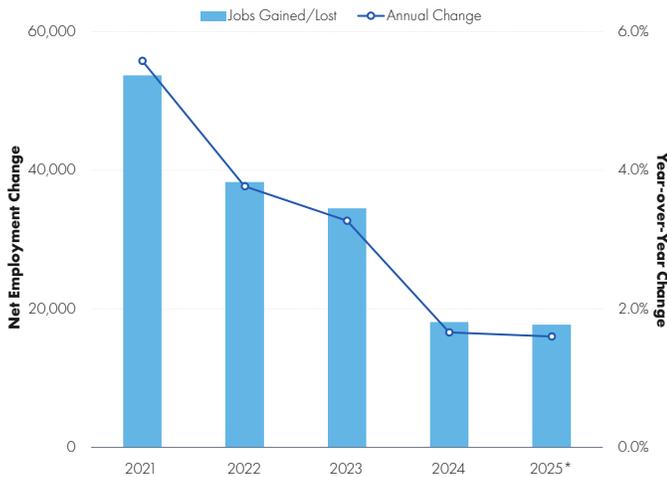
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Park Central	200 Park at North Hills St., Raleigh	2017	286	\$132,500,000	\$463,287
Sterling Town Center	7880 Triangle Promenade Dr., Raleigh	2012	339	\$73,100,000	\$215,634
ARIUM at Perimeter Park	1001 Carrington Park Cir., Morrisville	2007	266	\$62,386,000	\$234,534
501 Towns	2029 Bedford St., Durham	1969	252	\$42,250,000	\$167,659

LOOKING AHEAD

New projects are expected to continue coming online, with roughly 12,000 units forecast for delivery in 2025. Last year, deliveries peaked as more than 13,000 units were completed in Raleigh-Durham. Development activity is anticipated to return to trend in 2026, with approximately 6,000 units slated for completion. In the near term, however, supply-side pressures will persist. After declining in recent months, the vacancy rate should trend higher during the fourth quarter. Vacancy is projected to finish 2025 at 8.0%. Asking rents are expected to decline again in the fourth quarter before trending higher at the beginning of 2026. While property fundamentals are expected to soften, demand should remain elevated. The Raleigh-Durham multifamily market will continue to benefit from job additions and robust net migration, which will sustain renter demand.

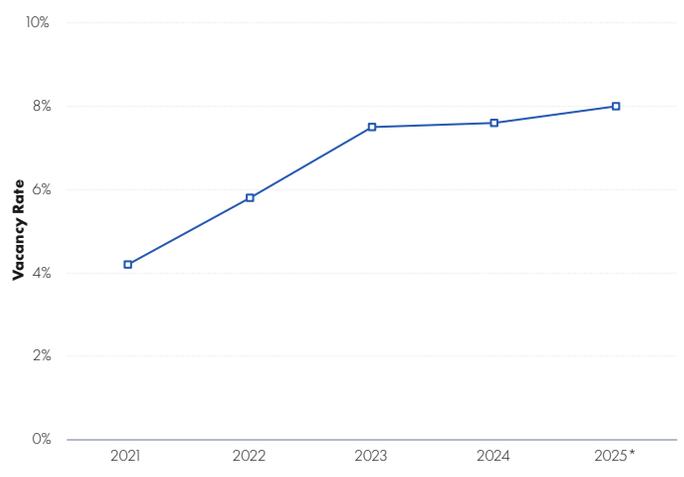
Looking ahead to the fourth quarter, sales activity in the local multifamily market is expected to accelerate. Total sales in 2025 will likely exceed levels recorded in 2024, though they will remain below traditional levels. Newly constructed assets, particularly those delivered within the past five years, should continue to account for much of the transaction volume, while properties constructed in the 1990s and 2000s should also see steady demand. Year to date, sales of 2020s-vintage assets have been concentrated on the Raleigh portion of the market, reflecting stronger recent inventory growth there compared to Durham. This imbalance may narrow in the coming quarters as construction activity slows throughout the region. Cap rates are projected to remain stable in the coming quarters, averaging between 5.25% and 5.5%.

EMPLOYMENT FORECAST



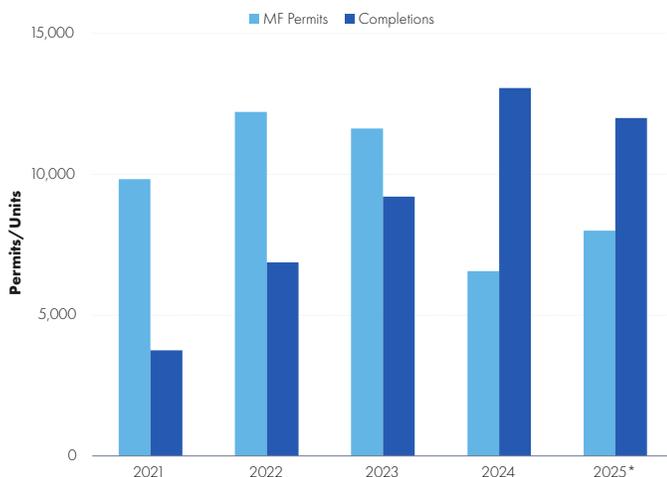
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



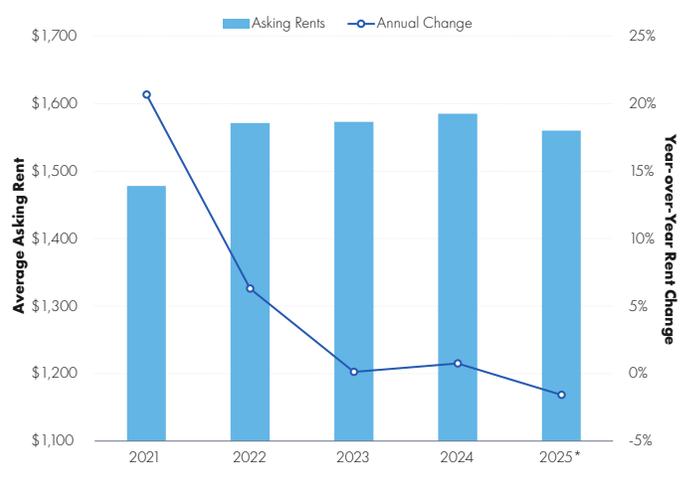
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, CoStar



FOR MORE INFORMATION, PLEASE CONTACT

JEFF GLENN

Managing Director, Investment Sales

919.322.4769

jglenn@northmarq.com

JOHN CURRIN

Senior Vice President, Investment Sales

704.595.4276

jcurrin@northmarq.com

ANDREA HOWARD

Regional Managing Director, Investment Sales

704.595.4280

ahoward@northmarq.com

CAYLOR MARK

Senior Vice President, Investment Sales

704.595.4278

cmark@northmarq.com

ALLAN LYNCH

Managing Director, Investment Sales

704.595.4277

alynch@northmarq.com

JAMES DORSETT

Vice President Investment Sales

704.927.4330

jdorsett@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

SAM TIFFANY, *Market Analyst* | 602.955.7102 | stiffany@northmarq.com

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