

Supply and demand both elevated to start 2024

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **17,782**

UNITS DELIVERED (YTD) **2,692**

MARKET FUNDAMENTALS



VACANCY RATE **7.7%**

YEAR-OVER-YEAR CHANGE **+110bps**

ASKING RENTS **\$1,585**

YEAR-OVER-YEAR CHANGE **-0.4%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$230,500**

HIGHLIGHTS

- Property performance metrics in the Raleigh-Durham multifamily market were mixed during the first quarter, as the vacancy rate ticked slightly higher and asking rents trended up. Net absorption gained momentum amid nearly 2,700 units of new supply.
- Rents trended higher in recent months after declining during the previous two quarters. Asking rents rose by 0.8 percent during the first quarter, reaching \$1,585 per month. Rents are almost on par with where the first quarter ended in 2023.
- The vacancy rate at the close of the first quarter climbed 20 basis points to 7.7 percent, up 110 basis points year over year. New deliveries in lease-up contributed to the lower overall occupancy trend.
- Multifamily properties continue to trade, but transaction volume during the first quarter lagged levels recorded in 2023. The median price to this point in the year is \$230,500 per unit, while cap rates averaged 5.5 percent.

RALEIGH-DURHAM MULTIFAMILY MARKET OVERVIEW

The Raleigh-Durham multifamily market benefitted from heightened renter demand and a modest cooling in the delivery of new units during the first quarter. Continued growth in the local labor market supported a stronger renter demand climate at the start of 2024. Net absorption in the first quarter topped 1,600 units, up 60 percent from the last three months of 2023 and more than doubled levels recorded in the same period of last year. This renter demand led to asking rents trending higher in the first three months of 2024 after declining in each of the previous two quarters. Still, deliveries outpaced demand, leading to a modest vacancy uptick.

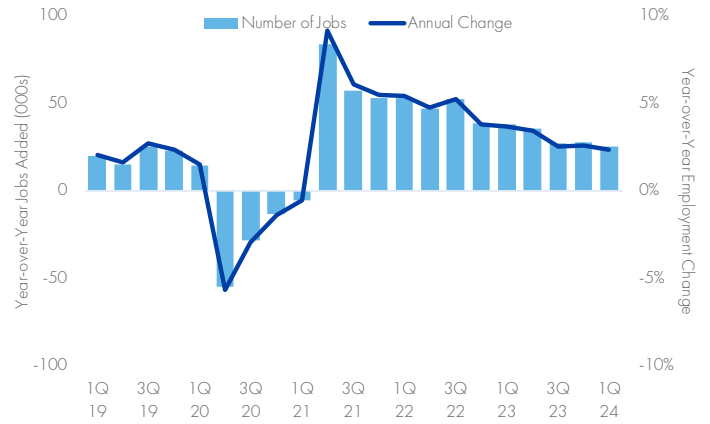
Raleigh-Durham still garners favoritism among multifamily investors, by very few communities were marketed for sale during the first quarter. Still, some deals are getting done. To this point in the year, transaction activity has been concentrated in existing Class B assets and a few newer projects that were sold at or near stabilization. Transaction volume in the last three months was down slightly from both the preceding quarter as well as levels recorded in the beginning of 2023. For the most part, properties traded within a fairly tight band, with most assets selling for between \$225,000 per unit and \$245,000 per unit. In 2023, the median price was \$251,900 per unit.

EMPLOYMENT

- Employers in Raleigh-Durham continue to add new workers at an elevated rate. Total employment has expanded by 25,200 jobs during the past 12 months, an increase of 2.4 percent.
- Jobs are being created across a wide range of industries, with healthcare employment posting rapid growth. Year over year, total employment in this sector rose by 6,100 positions, an increase of 4.7 percent.
- State regulators approved WakeMed’s expansion applications for existing facilities in the Raleigh area. WakeMed will move forward with plans to build a 5-story tower at WakeMed North Hospital. The new \$160 million tower will include 50 hospital beds and is expected to be fully operational in late 2027.
- **FORECAST:** Employment growth is forecast to remain steady in 2024, with job additions in the coming year expected to closely track levels recorded in 2023. Area employers are projected to add 25,000 workers this year, a 2.3 percent gain.

Employment expanded by 25,200 jobs during the past 12 months.

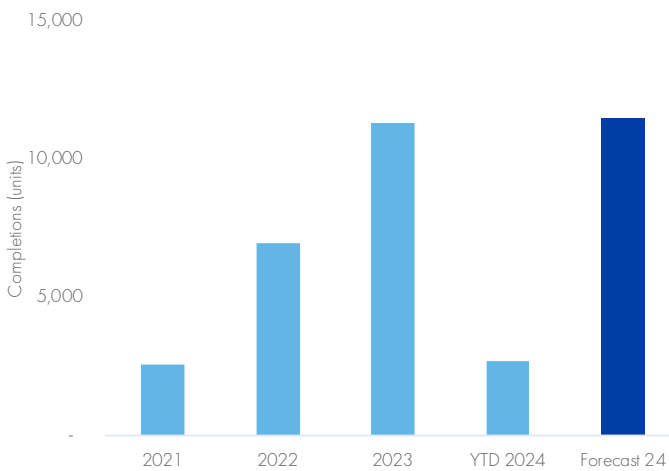
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Nearly 2,700 units came online during the first quarter.

DEVELOPMENT TRENDS



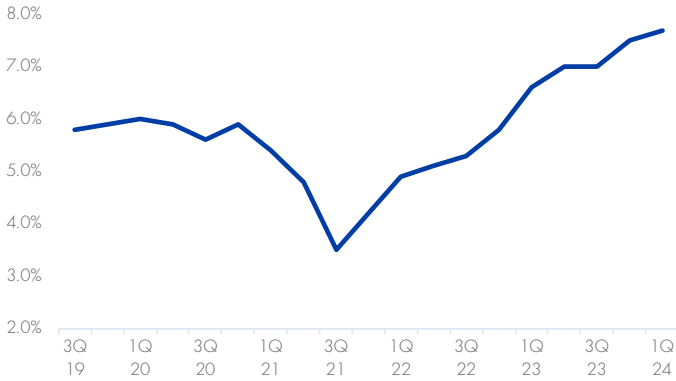
Sources: Northmarq, CoStar

DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries slowed in recent months after completions were elevated during the preceding period. Nearly 2,700 units came online during the first quarter, down from more than 3,500 units in the preceding quarter.
- Projects totaling approximately 17,800 units were under construction at the end of the first quarter, down 24 percent from peaks recorded in the second quarter of last year. Construction is concentrated in Downtown Durham as well as Downtown Raleigh, with a handful of projects currently under way in both the North Cary/Morrisville and the Northeast Raleigh submarkets.
- Permitting slowed during the first quarter, as developers pulled permits for roughly 1,850 multifamily units, down from more than 4,000 units in the fourth quarter of 2023.
- **FORECAST:** Projects totaling 11,500 units are scheduled to come online this year, up slightly from the 2023 figure. Deliveries will likely slow beginning in 2025.

Vacancy ticked higher by 20 basis points in the first quarter.

VACANCY TRENDS



Sources: Northmarq, CoStar

VACANCY

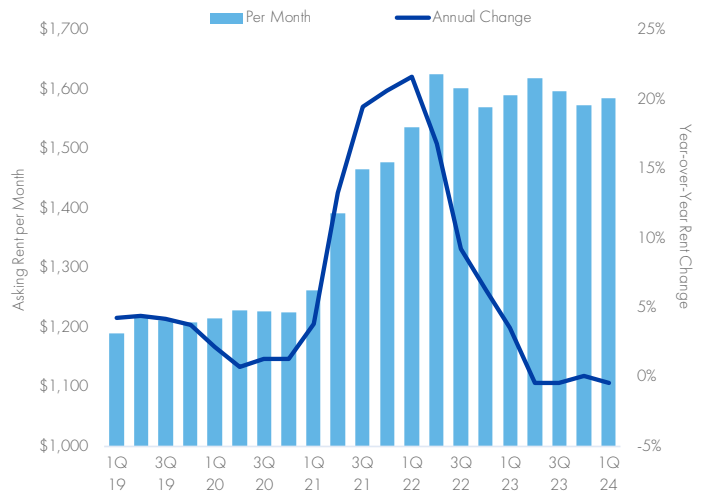
- The vacancy rate in Raleigh-Durham ticked higher by 20 basis points during the first quarter to 7.7 percent; the rate is up 110 basis points year over year.
- Most Raleigh-Durham submarkets posted vacancy increases during the past year, but South Cary was one of the few areas to record an improvement. The vacancy rate in this submarket declined by 90 basis points during the past 12 months to 5.6 percent.
- The North Cary/Morrisville submarket has posted the strongest net absorption in the region during the past 12 months, with renters moving into a net of more than 1,300 units. This demand has driven vacancy down by 30 basis points in the past year to 6.8 percent.
- **FORECAST:** Coming inventory growth will apply upward pressure on the vacancy rate through the end of the year, but continued renter demand and strong seasonal absorption should ease some of the impact. The vacancy rate is forecast to finish 2024 at roughly 8 percent, up 50 basis points for the full year.

RENTS

- Rent growth in Raleigh-Durham picked up in recent months after rents dipped in the previous two quarters. Asking rents advanced 0.8 percent during the first quarter to \$1,585 per month.
- Despite a recent uptick, area rents declined by 0.4 percent in the past year. Rent growth has tapered off during the past 18 months after recording steep increases in 2021 and the first half of 2022.
- Apartment rents for top-tier assets have been declining since peaking at nearly \$1,900 per month during the second quarter of 2023. Asking rents for Class A properties decreased by 3.6 percent during the past 12 months to \$1,810 per month.
- **FORECAST:** Rent growth should continue through the end of 2024, but annual gains will be modest. Asking rents are forecast to rise 1.7 percent annually, closing the year at approximately \$1,600 per month.

Asking rents advanced 0.8 percent during the first quarter.

RENT TRENDS



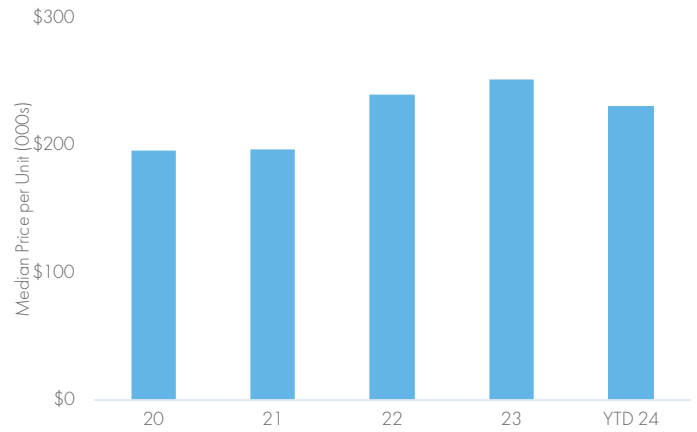
Sources: Northmarq, CoStar

MULTIFAMILY SALES

- Multifamily properties in Raleigh-Durham continued to change hands in recent months, albeit at a more modest pace when compared to levels recorded in 2023. Sales velocity slowed by 20 percent from the fourth quarter of 2023 to the first quarter of this year, but activity is expected to improve later in the year, especially in Wake County as new assessed tax values, appeals, and millage rates are considered.
- The median price through the first quarter was \$230,500 per unit, down 8 percent from the 2023 figure. Sales occurred in Downtown Durham, Downtown Raleigh, and Northern Raleigh in the last three months.
- Cap rates continued to trend higher in the early months of 2024. Cap rates ranged between 5.25 percent and 6 percent during the first quarter. During the final three months of 2023, cap rates averaged 5.25 percent.

The median price through the first quarter was \$230,500 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

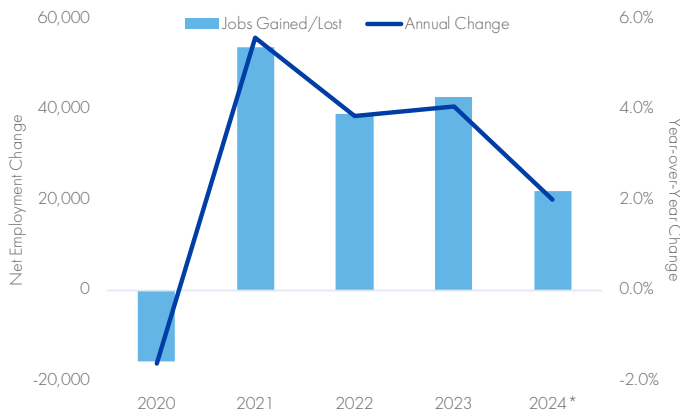
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
Villages of Sunnybrook	2421 Brightcreek Falls Trl., Raleigh	384	\$86,500,000	\$225,260
Lofts at Lakeview	2616 Erwin Rd., Durham	352	\$83,000,000	\$235,795
Conclave Glenwood	3221 Glenhill Dr., Raleigh	248	\$60,500,000	\$243,952
Cambridge Apartments	6801 Chesterbrook Ct., Raleigh	168	\$22,609,000	\$134,577

LOOKING AHEAD

Operating conditions in the Raleigh-Durham multifamily market will likely maintain their current trajectory in the coming quarters. The pace of multifamily deliveries should pick up slightly as the year progresses, with projects totaling 11,500 units expected to come online in 2024. Continued supply growth will apply additional pressure on the vacancy rate, but Raleigh-Durham’s expanding local labor market should fuel renter demand, mitigating vacancy increases. Renter demand should be strong enough to lead to modest rent increases in the coming year, but but certain development-heavy submarkets may will continue to use concessions to bolster lease-up pace.

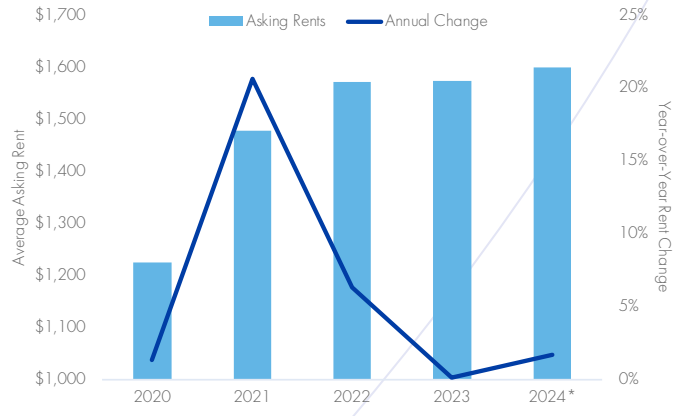
Sales activity may remain limited in the coming months, although momentum could gather leading into the second half of the year, which would be a repeat of the 2023 trend. Transaction volume in 2024 should closely track the levels recorded last year, but annual sales will likely finish lower than the region’s historical norms. While Class B properties have accounted for nearly all of the transactions to date, investors will begin to target Class A properties again, as new properties begin to lease-up and stabilize.

EMPLOYMENT FORECAST



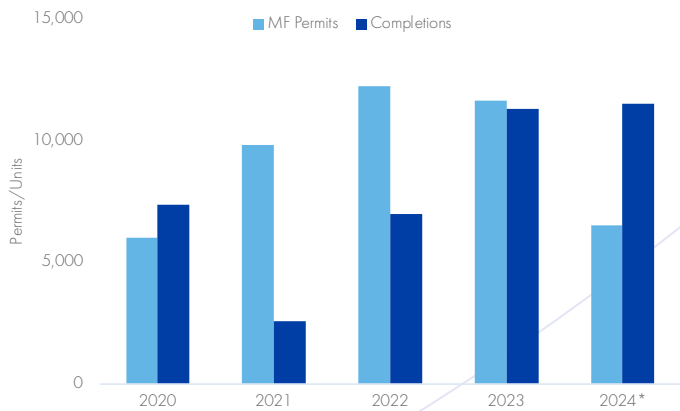
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

RENT FORECAST



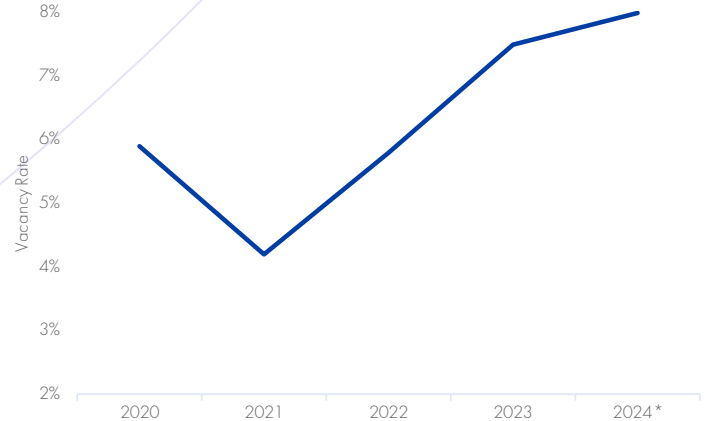
* Year End Forecast
Sources: Northmarq, CoStar

CONSTRUCTION & PERMITTING FORECAST



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

VACANCY FORECAST



* Year End Forecast
Sources: Northmarq, CoStar



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