

# Balance In The Triangle

November 2024



**T3 Rent Movement Negative**  
**Construction Starts Slow Down**  
**Job Growth Outpaces Nation**

# RALEIGH MULTIFAMILY



## Raleigh–Durham's Softening Figures

Raleigh–Durham's multifamily market ended the third quarter with a modest performance. Average advertised asking rents remained negative, down 0.5% on a trailing three-month basis, to \$1,540, some 50 basis points lower than the U.S. rate. The metro's average occupancy rate in stabilized properties saw contractions, as well, clocking in at 93.8% as of August, a 20-basis-point decrease year-over-year.

In the 12 months ending in July, the Triangle's employment market expanded 2.4%, the equivalent of 27,300 net jobs. Education and health services led gains, with 9,200 new jobs. The metro's unemployment rate stood at 3.8%, 50 basis points below the national figure, according to preliminary data from the Bureau of Labor Statistics. Gale Force Sports and Entertainment and developer Pacific Elm Properties are bringing a \$1 billion project to Raleigh. The development, which is slated to begin construction in December 2025, will include shopping, dining and entertainment venues, as well as office and housing components.

With 7,639 units, or 4.0% of existing stock, delivered through September in Raleigh–Durham, the metro is ahead of the nation by 190 basis points. Transaction activity remained modest, with \$813 million in assets changing hands, well below the highs of 2021 and 2022, when transactions totaled \$9.7 billion.

## Market Analysis | November 2024

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### Recent Raleigh Transactions

#### Avalon Perimeter Park



City: Morrisville, N.C.  
Buyer: AvalonBay Communities  
Purchase Price: \$67 MM  
Price per Unit: \$253,817

#### Village at Broadstone Station



City: Apex, N.C.  
Buyer: Post Investment Group  
Purchase Price: \$66 MM  
Price per Unit: \$220,833

#### The Dartmouth



City: Raleigh, N.C.  
Buyer: The Finger Cos.  
Purchase Price: \$47 MM  
Price per Unit: \$275,439

#### The Avenues at RTP

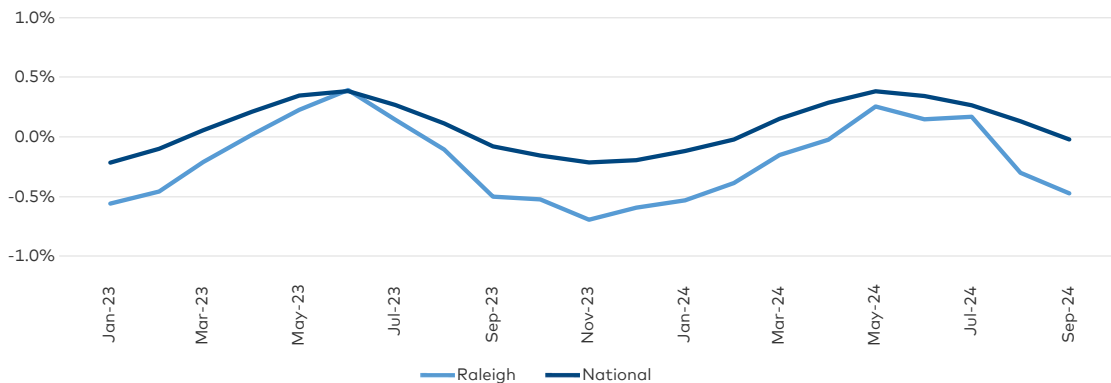


City: Durham, N.C.  
Buyer: Self-Help  
Purchase Price: \$40 MM  
Price per Unit: \$177,232

## RENT TRENDS

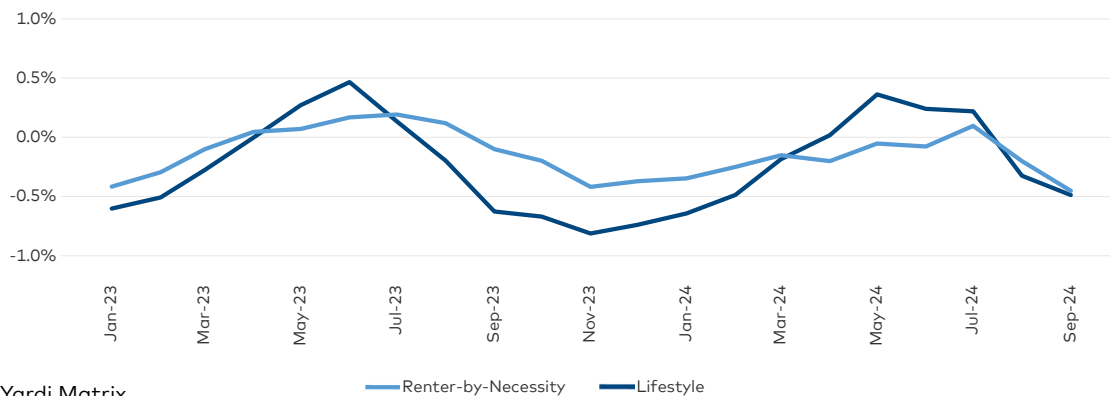
- ▶ The average advertised asking rent in Raleigh-Durham was down 0.5% on a trailing three-month (T3) basis in September, to \$1,540. Meanwhile, the U.S. rate remained flat through the interval.
- ▶ On a year-over-year basis, advertised asking rents were down 3.1%, placing Raleigh-Durham second to last among the top 30 metros in the country. Yardi Matrix expects a modest decline in rents, with a projected 2.6% contraction in the Research Triangle by the end of the year.
- ▶ The growth rate shrank in both quality segments. Lifestyle advertised asking rents were down 0.5%, on a T3 basis, to \$1,628. Meanwhile, working-class, Renter-by-Necessity assets registered a 0.4% decrease, to \$1,319.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 93.8% as of August, a 20-basis-point decrease year-over-year. Despite a higher occupancy figure, the Lifestyle rate also decreased 20 basis points, to 94.2%. Meanwhile, occupancy in RBN assets also registered a decline, down 20 basis points, to 93.2%.
- ▶ Of the 40 submarkets tracked by Yardi Matrix, more than three-quarters performed negatively on a year-over-year basis as of September. Raleigh-Downtown remains the most expensive submarket, at \$1,887, despite a 3.4% contraction, followed by Durham-Central, where rents decreased 1.8%, to \$1,873.

### Raleigh vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Raleigh Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ In the 12 months ending in July, Raleigh–Durham’s employment market expanded by 2.4%, 110 basis points above the national rate. That was the equivalent of 27,300 net jobs, with all sectors recording gains, apart from information and trade, transportation and utilities, which lost a combined 1,600 positions.
- ▶ Education and health services led gains with 9,200 new positions added to the workforce, up 5.4% over a 12-month period, followed by government (5,500 jobs) and professional and business services (5,300 jobs).
- ▶ The Research Triangle’s unemployment rate clocked in at 3.8% as of August, 50 basis points below the national rate, according to preliminary data from the Bureau of Labor Statistics. Over the past 12 months, Raleigh–Durham reached its lowest unemployment rate in September and December 2023—2.9%.
- ▶ Gale Force Sports and Entertainment, together with Dallas-based developer Pacific Elm Properties, is developing the \$1 billion Raleigh Sports & Entertainment District. The project will take shape on an 80-acre site. Construction of the first phase is scheduled to start in December 2025, and will comprise office space, a hotel and more than 500 apartments. Later phases are slated for development over the course of 15 years.

### Raleigh Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	178.6	16.2%
90	Government	169.4	15.3%
60	Professional and Business Services	210.8	19.1%
70	Leisure and Hospitality	112.7	10.2%
15	Mining, Logging and Construction	64	5.8%
80	Other Services	46.6	4.2%
55	Financial Activities	60.1	5.4%
30	Manufacturing	63.2	5.7%
40	Trade, Transportation and Utilities	166.5	15.1%
50	Information	31.9	2.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Raleigh–Durham’s population expanded by 29,024 residents in 2022, marking a 2.1% increase. Meanwhile, the U.S. population expanded by 0.4%.
- ▶ The metro gained nearly 300,000 residents over the past 10 years.

### Raleigh vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Raleigh Metro	1,332,311	1,362,997	1,391,801	1,420,825

Source: U.S. Census

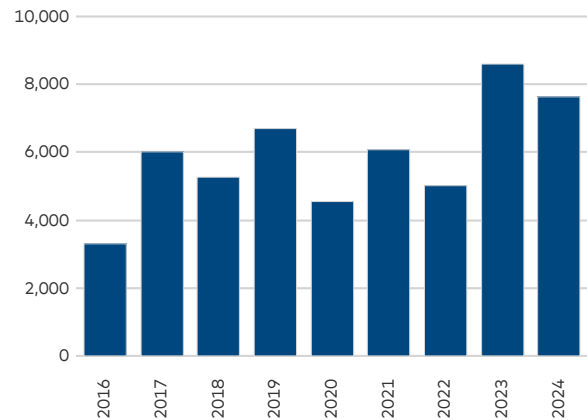
## SUPPLY

- ▶ Developers brought 7,639 units online this year through September, accounting for 4.0% of existing stock. That was 190 basis points higher than the 2.1% U.S. average. All but two properties that came online were Lifestyle assets, while the rest were fully affordable stock. The total is already near the 8,589 units delivered during 2023.
- ▶ Raleigh–Durham had 23,039 units under construction in September. Another 107,000 were in the planning and permitting stages. Construction was concentrated in upscale projects, which comprised 80.5% of units, while RBN and fully affordable developments accounted for the remaining 19.5%.
- ▶ Construction starts dwindled significantly. Work started on only 3,022 units across 12 projects. This marked a 74% decrease compared to the 11,581 units across 50 projects that started construction during the same period last year. Activity has slowed considerably, due to persisting lending difficulties for developers.
- ▶ Of the 40 submarkets tracked by Yardi Matrix, 29 had at least 50 units under construction, with two submarkets crossing the 2,000-unit mark. Clay–Morrisville led with 2,871 units,

followed by Raleigh–South (2,145 units) and Durham–Central (1,670 units).

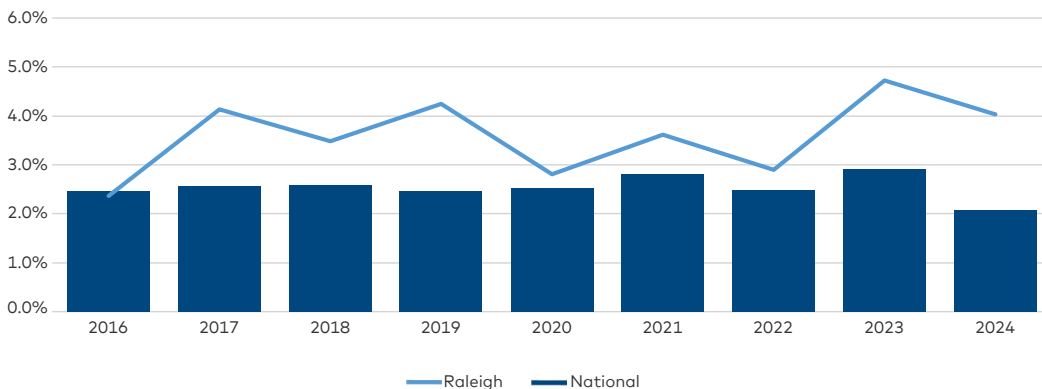
- ▶ Raleigh–South also houses the metro's largest multifamily development as of September. SLI Capital broke ground on the 675-unit project, dubbed The Weld, in September 2023, with construction slated for completion by January 2026. The developer received a \$190 million loan from Banco Inbursa in 2023 to fund the construction.

**Raleigh Completions** (as of September 2024)



Source: Yardi Matrix

**Raleigh vs. National Completions as a Percentage of Total Stock** (as of September 2024)

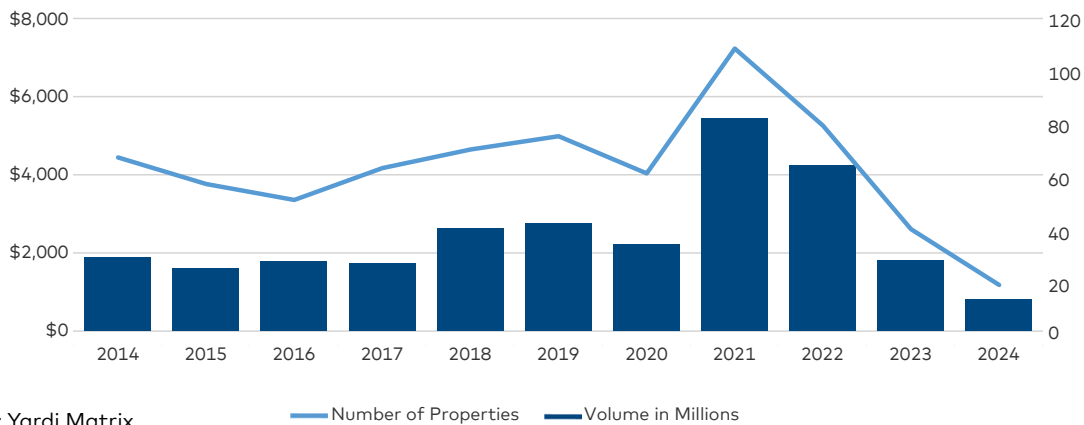


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Transactions in Raleigh–Durham reached \$813 million through the third quarter of this year. Last year, transactions totaled \$1.8 billion in the Research Triangle, but even last year’s figures were well below the highs of 2021 and 2022, when a combined \$9.7 billion in assets changed hands.
- ▶ Sales composition through September were only slightly tilted toward the Lifestyle segment, accounting for 11 out of 21 properties trading in the metro. The price per unit was down \$35,000 to \$187,406, moving closer to the \$188,379 U.S. average.
- ▶ Only one submarket exceeded the \$200 million mark for multifamily transactions during the 12 months ending in September. Raleigh–North led with \$240 million in assets changing hands, while Clay–Morrisville (\$189 million) and Raleigh–Northwest (\$164 million) rounded out the top three.

### Raleigh Sales Volume and Number of Properties Sold (as of September 2024)



Source: Yardi Matrix

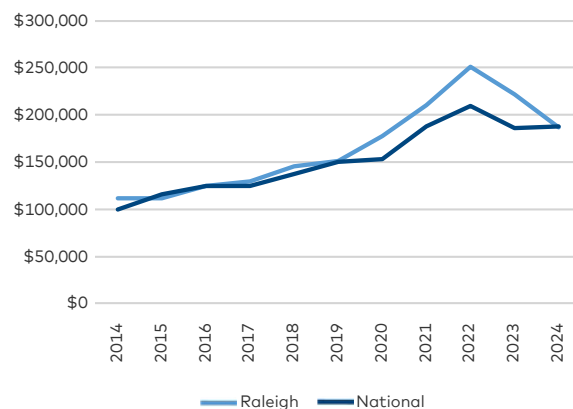
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Raleigh–North	240
Clay–Morrisville	189
Raleigh–Northwest	164
Durham–Southwest	157
Chapel Hill	98
Durham–North	89
Raleigh–Southeast	87

Source: Yardi Matrix

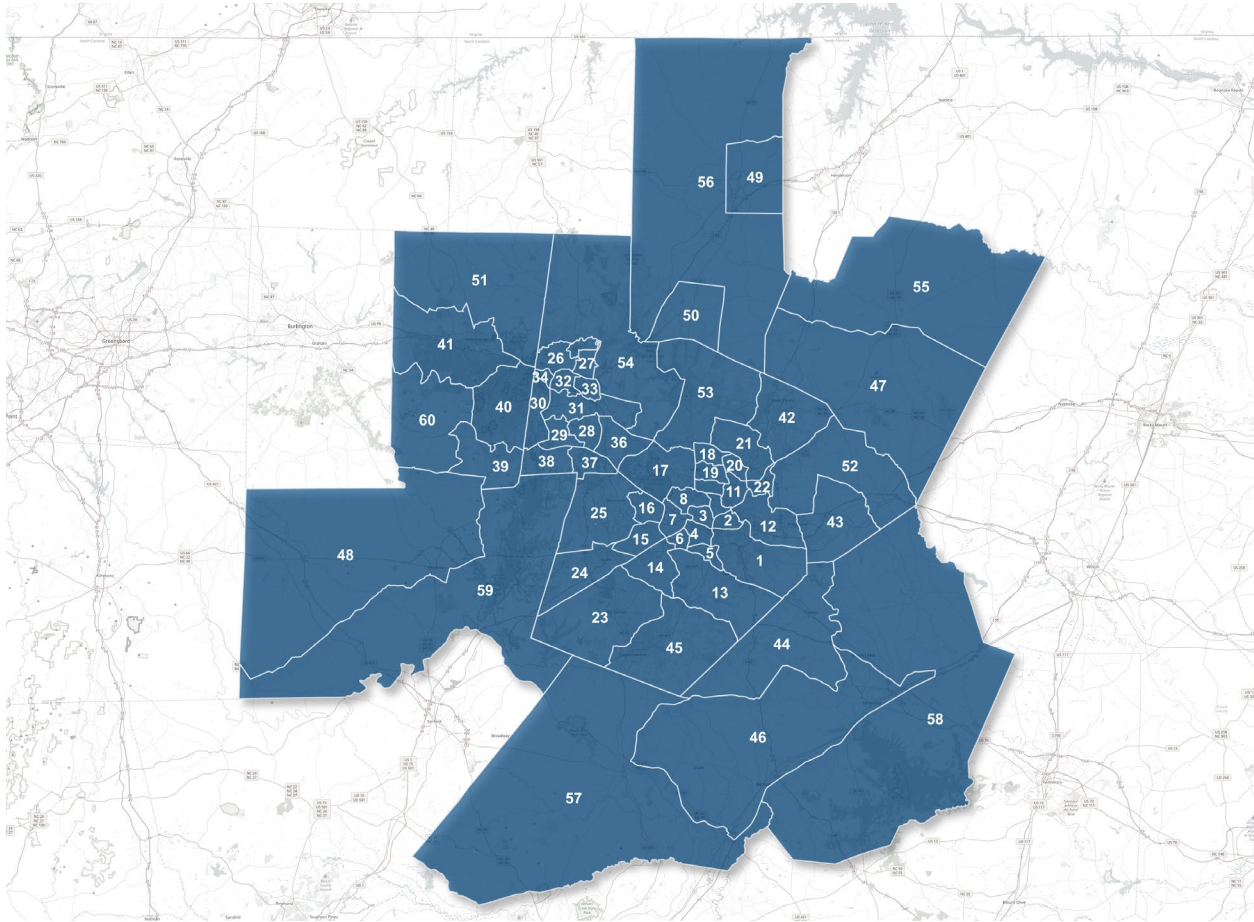
<sup>1</sup> From October 2023 to September 2024

### Raleigh vs. National Sales Price per Unit



Source: Yardi Matrix

# RALEIGH SUBMARKETS



Area No.	Submarket
1	Downtown Raleigh
2	Oakwood
3	Ridgewood
4	Hinton
5	Rhamkatte
6	Wynnewood
7	Westover
8	Laurel Hills
9	Crabtree Valley
10	Anderson Heights
11	Millbrook
12	Wilders Grove
13	Garner
14	Piney Plains
15	South Cary
16	North Cary
17	Glen Forest
18	Six Forks
19	Lynn
20	Wakeview

Area No.	Submarket
21	Neuse Crossroads
22	New Hope
23	Feltonville
24	Apex
25	Morrisville
26	Huckleberry Springs
27	Mill Grove
28	Keene
29	Woodcroft
30	Colony Park
31	Hope Valley
32	Duke University
33	Downtown Durham
34	American Village
35	River Forest
36	Research Triangle
37	Lowes Grove
38	Southport
39	Carrboro
40	Chapel Hill

Area No.	Submarket
41	Hillsborough
42	Wake Forest
43	Wendell
44	Clayton
45	Fuquay-Varina
46	Smithfield
47	Louisburg
48	Silver City
49	Oxford
50	Creedmoor
51	North Orange County
52	Northeast Wake County
53	Northwest Wake County
54	Outlying Durham County
55	Outlying Franklin County
56	Outlying Granville County
57	Outlying Harnett County
58	Outlying Johnston County
59	Southern Chatham County
60	Southwest Orange County

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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