

# Raleigh-Durham

## MID-YEAR MULTIFAMILY MARKET REPORT

### Overview

As the COVID-19 pandemic continues to impact our nation, the multifamily sector in the Raleigh-Durham market remains relatively stable in comparison to other asset types with fundamentals hovering around 2019 levels. Sales activity in the early months of the year were reaching record highs with rents continuing to increase each quarter at a consistent rate. COVID-19 immediately took a toll on the momentum in the multifamily sector as seen by negative rent growth and the steep decline in sales volume from Q1 to Q2 2020. Additionally, commercial lending drastically decreased as lenders reassessed their underwriting requirements. Despite all of this, investors came back strong toward the middle of Q2 2020 and have been able to transact on a number of deals which closed near record highs on a price per door scale.

Even during a national pandemic, the Raleigh-Durham market continues to be a hotbed for multifamily investors seeking a high-growth market. Companies are investing in the area for its low costs of living and less expensive expansion projects. The steady influx of people relocating to the area, as well as, the high number of units under construction shows signs that the sector can remain a dominant asset class in the market.

### Rent

Since the beginning of 2016, effective rents in the Raleigh-Durham have grown at an average of 3.6% annually. High hopes remained in Q1 2020, which saw a 4.1% increase YOY in effective rents. Once the pandemic reached the U.S., rent growth in the market began to level out. Rents kept close to 2019 figures as Q2 2020 only saw a 0.3% YOY increase in effective rents and a -0.6% decrease from Q1. Despite the decrease in rent from the first quarter, Raleigh-Durham rents still outpaced the national average of -0.2% growth YOY and -1.0% growth from Q1.

The rental forecast in the market is still optimistic. Even though 2020 annual effective rent growth is forecast to decrease -0.5%, projections through 2024 reach 3.3% annual growth. These figures show the confidence of Raleigh-Durham as a whole and indicate a near term recovery of rental rates.

Market Indicators	TTM Change
Rent	—
Vacancy	↑
Absorption	↓
Supply	↑

\*Chart indicates growth percentage for the Trailing 12 months as either flat, increase or decrease. An increase or decrease represents a 50bps change from the previous year.

Raleigh Durham Market Metrics as of 2Q 2020							
	Effective Rent	Eff. Rent/ SF	QTQ % Change	TTM % Change	Vacancy	Supply	Demand
Market	\$1.165	\$1.20	-0.60%	0.33%	-5.50%	5309	2906
Central Raleigh	\$1.228	\$1.33	-0.80%	0.15%	-5.30%	806	356
Chapel Hill/Carrboro	\$1.186	\$1.26	0.46%	0.72%	-5.90%	483	61
East Durham	\$1.055	\$1.10	-0.64%	0.21%	-5.50%	260	113
Far North Raleigh	\$1.123	\$1.12	-0.26%	0.85%	-5.20%	0	-52
Near North Raleigh	\$1.166	\$1.27	-2.16%	1.81%	-5.30%	203	-147
North Cary/Morrisville	\$1.210	\$1.19	-1.01%	-1.73%	-5.70%	205	-93
Northeast Raleigh	\$1.098	\$1.13	0.07%	0.85%	-6.30%	230	173
Northwest Durham/Downtown	\$1.279	\$1.47	-0.11%	2.44%	-6.10%	440	422
Northwest Raleigh	\$1.143	\$1.14	-0.94%	2.31%	-5.10%	0	-118
South Cary/Apex	\$1.166	\$1.14	-0.65%	-1.64%	-4.20%	1532	1225
Southeast Raleigh	\$1.096	\$1.11	1.24%	0.42%	-5.80%	604	478
Southwest Durham	\$1.097	\$1.13	-0.73%	-0.49%	-5.20%	546	500

### APG ADVISORS

1201 Edwards Mill Rd, Ste 300  
Raleigh, NC 27607  
www.apgcre.com





## Rent Payment Tracker: Full Month Results

\*\*Data collected from between 11.1 - 11.5 million apartment units each month



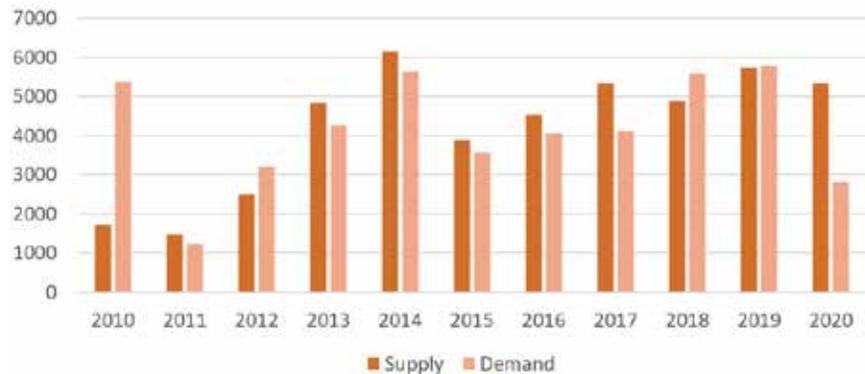
## Occupancy & Collections:

Occupancy in the Raleigh-Durham market dipped slightly downward in 2Q 2020 to 94.5%, down 60bps from the previous quarter. Despite the decline in occupancy, landlords still have not seen a significant impact in collections. According to data collected from 11.4 million units across the country, 92.1% of apartment households made full or partial rent payment by August 27th. However, with the CARES Act expiring, which supports those filing for unemployment assistance, an uptick in missed rent collections would not be out of the ordinary in the near future.

## Construction - Supply - Demand

The Raleigh-Durham market has seen a large influx of new construction with over 8,500 units underway across the region. The market has also outpaced the national average in inventory growth YOY at 3.0% versus 1.7%. Durham and Raleigh have accounted for 5.8% and 6.0% increases in existing inventory, respectively. With over 5,300 units delivered in the past 12 months, demand recently fell below 3,000 units. With pandemic fears keeping people at home and discouraging moving, a short-term decrease in demand is justified. As Raleigh continues to see an increase in population (approximately 57 new residents a day), demand should rebound as regulations loosen and people begin to operate at post COVID-19 levels.

## Annual Supply & Demand



## Notable Projects Under Construction

Projects Under Construction	Units	Estimated Delivery	Developer
LC Brier Creek	450	Nov-20	Lifestyle Communities
Alta Davis	408	Dec-21	Wood Partners
Ellis Crossing Townes	250	May-21	The Halle Companies
Mosaic Lofts	231	Jan-21	Eco Group, LLC
Villages at Raleigh Beach	392	Oct-20	The Halle Companies
Elevate Powell and Broad	384	Jan-22	Kenny Properties, Inc.
Vine North Hills	326	Oct-20	Kane Realty Corp
Walter Tower	376	Jan-22	Kane Realty Corp



## Capital Markets

The beginning of 2020 saw apartment sales transactions reach nearly \$700 million in the Raleigh-Durham market. This was a 75.2% increase in sales from Q1 2019. Following the national outbreak, sales activity came to a standstill. The source of this can be attributed to stricter policies implemented by lenders at the onset of the pandemic. Lending institutions reassessed their underwriting standards forcing investors to have to rethink potential acquisitions. Lenders, like Fannie Mae and Freddie Mac implemented a new reserve requirement, which forced investors to have to place 9-12 months of debt service in escrow. On top of that, lenders dropped their maximum LTV's, which required investors to put down more equity upfront. These factors caused acquiring multifamily properties to be a whole lot more expensive than the pre-COVID environment.

Today, lender's policies have loosened since the early months of COVID-19. As investors has adjusted their balance sheets to meet new lending criteria, the Raleigh-Durham market has performed extremely well in comparison to other major metropolitans in terms of sales activity. Below are a few of the major transactions that took place in the market before the COVID-19 pandemic and during the pandemic:

### Notable Triangle Sales 2020 Pre-COVID-19

Pre-Covid Sales Comps	Units	Price	PPU	Buyer
Lodge at Croasdaile	320	\$65,900,000	\$205,938	Hercules Real Estate Services
Brizo	261	\$56,160,000	\$215,172	Blackstone
Whetstone Apartments	204	\$46,500,000	\$227,941	Eaton Vance Real Estate Investment Group
Cumberland Cove	552	\$81,000,000	\$146,739	The Related Companies
Sojourn Glenwood	296	\$83,814,000	\$283,155	Ascentris, LLC
Weston Lakeside	332	\$67,750,000	\$204,066	Stoltz Real Estate Partners
Hawthorne Six Forks	471	\$66,000,000	\$140,127	Cedar Grove Capital

### Notable Triangle Sales 2020 COVID-19

COVID 2020 Sales Comps	Units	Price	PPU	Buyer
The Metropolitan	241	\$65,000,000	\$269,709.54	Snell Properties
Cortland Cary	205	\$49,200,000	\$240,000.00	Cortland Partners
The Lincoln	224	\$48,750,000	\$217,633.93	Harget408, LLC
The Manor at Weston	302	\$69,300,000	\$229,470.20	Eaton Vance Real Estate Group
Cortland Bull City	342	\$87,210,000	\$255,000.00	Cortland Partners
Southpoint Crossing	288	\$51,500,000	\$178,819.44	Starlight Investments
Independence Park	312	\$50,025,000	\$160,336.54	Magma Equities



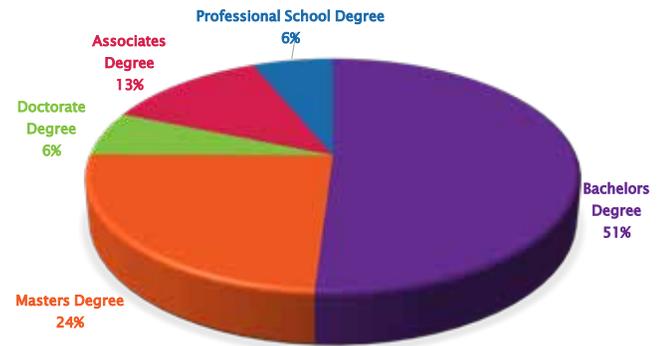
## Raleigh-Durham MSA Overview

Scenic beauty, a moderate climate, a culture rich in history and the arts, world-class sports and recreational opportunities all make North Carolina an exceptional place to live and do business. The Raleigh-Durham MSA, commonly referred to as The Triangle, spans seven counties in the central region of North Carolina. The "Triangle" reference was first coined in the late 1950's with the creation of Research Triangle Park, named for its location relative to three tier-one research universities - North Carolina State University, Duke University, and the University of North Carolina at Chapel Hill, and the cities in which they are located - Raleigh, Durham and Chapel Hill.

## Education & High-Performance Workforce

Higher education is considered the cornerstone of the Triangle region. With three tier-one research universities and twelve additional colleges and universities that have a combined enrollment of 131,000, all are a major contributor to the region's high-performance workforce. The region saw 42,000 graduates with bachelor's degrees or higher in 2019. The Raleigh-Durham MSA has a total population of 1.9 million, of which 49% hold bachelor's degrees or higher. Companies relocate and expand here because of the quality and depth of the existing talent pool and the pipeline of graduates coming from these educational facilities.

## RDU MSA Educational Attainment



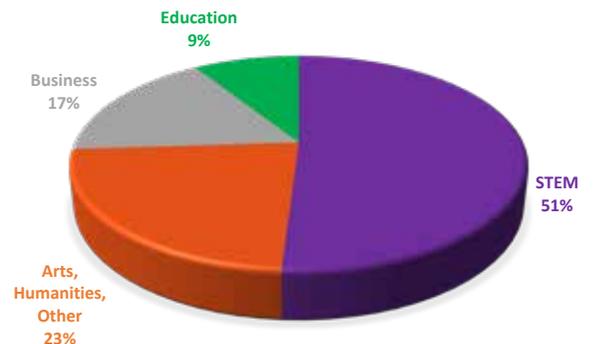
*"The Triangle is at an exciting crossroads, continuing to lead the country in nearly every measure of economic success. Our talent bench is already quite deep, especially when compared with many other metropolitan areas of our size across the nation."*

**Raleigh Chamber of Commerce**

*"Durham is in the midst of an entrepreneurial boom. Entrepreneurs and startups are attracting national attention from the public sector, Silicon Valley investors, and talented individuals worldwide. From its beginnings in tobacco and textiles to Black Wall Street and the Research Triangle Park, Durham is a community of entrepreneurs who value creative ideas, asking "What if?" and bringing talented people together to answer that very question."*

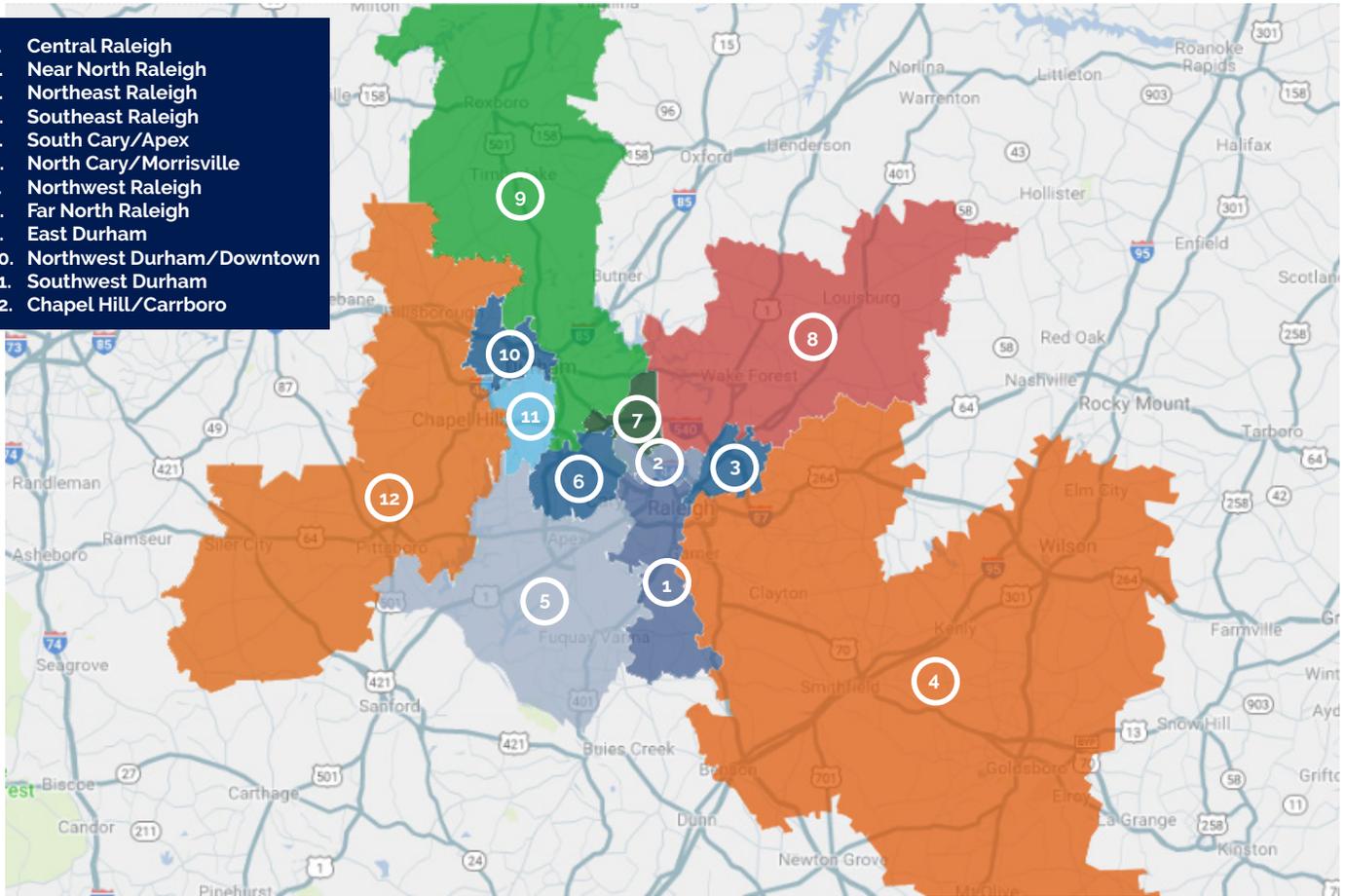
**Greater Durham Chamber of Commerce**

## Field of Study, Bachelor's Degree & Higher





1. Central Raleigh
2. Near North Raleigh
3. Northeast Raleigh
4. Southeast Raleigh
5. South Cary/Apex
6. North Cary/Morrisville
7. Northwest Raleigh
8. Far North Raleigh
9. East Durham
10. Northwest Durham/Downtown
11. Southwest Durham
12. Chapel Hill/Carrboro



## Local Economy Job Expansions & News



Raleigh-based Bandwidth, a telecommunications technology firm, will create over 1,000 jobs in the coming years as part of a planned \$32.2 million expansion in the Triangle. Bandwidth is currently headquartered at Centennial Campus, but the expansion includes a new \$70 million headquarters in west Raleigh at 2201 Edwards Mill Road. The 40-acre site is currently owned by the state and the company has agreed to buy the land for \$30 million.

<https://www.bizjournals.com/triangle/news/2020/04/07/raleighs-bandwidth-plots-100m-expansion-to-add-1.html>



Grifols grows Johnson County operation with \$356 million investment, 300 jobs. Spanish pharmaceutical giant Grifols plans to expand its Clayton campus by constructing a specialized blood-plasma facility and logistics center. The investment totals \$356 million and is projected to bring 300 jobs to the region. The average salary for the new jobs will be \$69,032. The company, which established its campus in Clayton in 2011, is expanding to help meet demand for plasma derived medicines. One of those medicines, a potential treatment for COVID-19, would be solely produced at the Triangle facility if the treatment is approved by regulators. The state of North Carolina is providing an incentive package, through a Job Development Investment Grant and through the state's Industrial Development Fund Utility Account.

<https://www.wraltechwire.com/2020/06/09/grifols-to-invest-356m-for-new-facility-in-clayton-adding-hundreds-of-jobs/>

# Raleigh-Durham MID-YEAR MULTIFAMILY MARKET REPORT

Please feel free to contact us.

**David Adams**

President  
919 582 3110  
dadams@apgcre.com

**Bo McHugh**

Associate  
703 717 9877  
bmchugh@apgcre.com

**Sources:**

<https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>

<https://www.realpage.com/analytics/apartment-rent-payments-q2-1-late-august/>

<https://www.axiometrics.com/>

<https://www.rcanalytics.com/>

<https://abc11.com/coronavirus-nc-eviction-moratorium-rent-payment-fees-what-are-my-rents-as-a-renter/6251350/>

<https://www.cpexecutive.com/post/the-effect-of-covid-19-on-real-estate-lending/>

**APG ADVISORS**

1201 Edwards Mill Rd, Ste 300  
Raleigh, NC 27607  
www.apgcre.com



**APG**  
ADVISORS