

A photograph of a modern, multi-story apartment building. The building features a mix of light-colored panels and dark grey accents. Large windows are prominent, some reflecting the sky and others showing interior lights. Balconies with black metal railings and glass railings are visible on several floors. The building is set against a clear blue sky.

Raleigh-Durham multifamily market report

Q2 2023

**AVISON
YOUNG**

Multifamily market activity

01

Class A Rent Growth

After four consecutive years of Class B product leading annual rent growth, Raleigh-Durham's Class A sector topped asset class performance at **2.4%** in Q223. Average effective Class A rents reached **\$1,868** per unit or **\$1.98 psf**. While the overall pace of rent growth across all asset classes has moderated, the market's average has **remained positive** since the third quarter of 2020.

02

Demand

Quarterly net absorption of over **1,900 units** was the Triangle's **strongest** quarterly absorption total since mid-2021 despite apartment construction levels hitting record pace as a record **29,000 units*** are underway. Inventory delivered in the last 12 months achieved an average asking rent of **\$1.95 psf**, while existing inventory resulted in an average effective rent of **\$1.60 psf** in 1Q23.

**includes properties currently under construction and in lease-up*

03

Capital Markets

Sales volume totaled **\$2.4 billion** in last twelve months, down 68%-year-over-year. The increase in cap rates indicates the market is starting to price in the increasing Treasury rates but given cap rates were sticky throughout most of 2022, reported cap rates have been slow to pick up changes. In Q223, multifamily remains the **largest recipient** of investment capital, representing **53%** of total transactions in the Triangle.

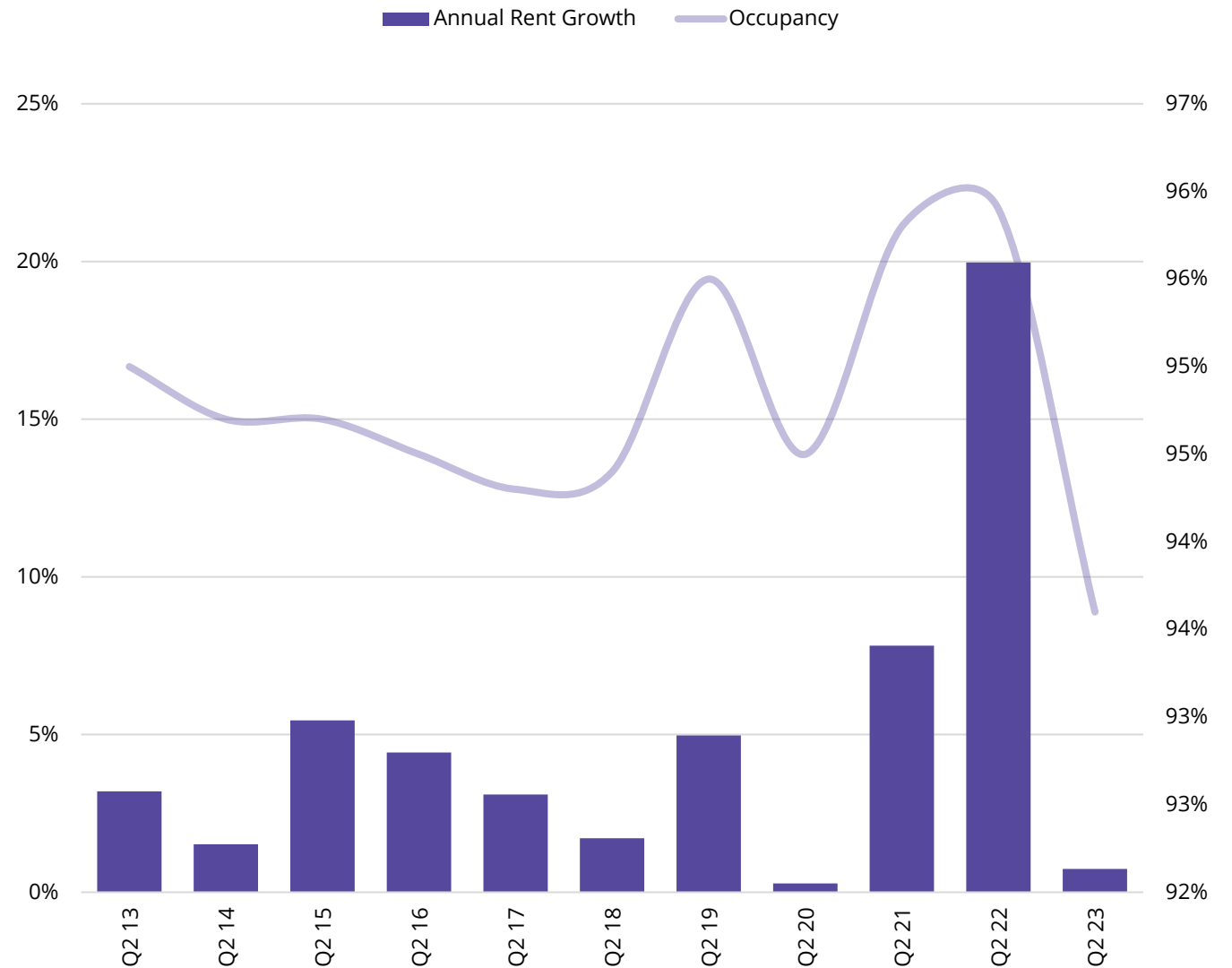


Effective Rental Rates

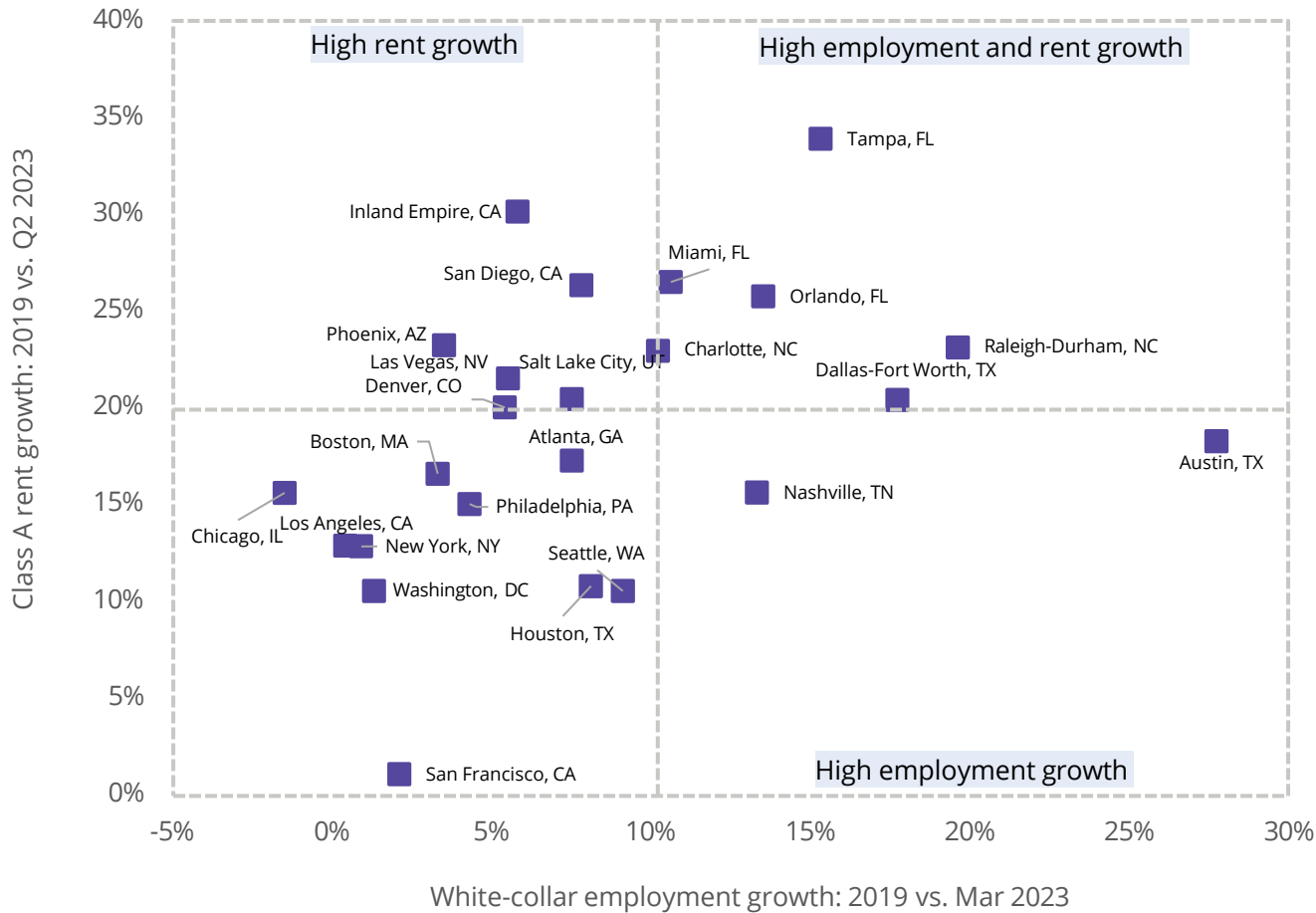
\$1.61

Effective asking rate/psf

Operators increased effective asking rents by 1.3% in the second quarter, after rent cuts in the last two quarters. With previous quarterly rent depreciation, annual effective rent growth totaled just 0.7% in the Triangle. The Chapel Hill/Carrboro submarket reported the strongest annual effective rent growth at 2.2%. Concession rates for existing inventory reached 3.6% in Q223.



Class A market momentum



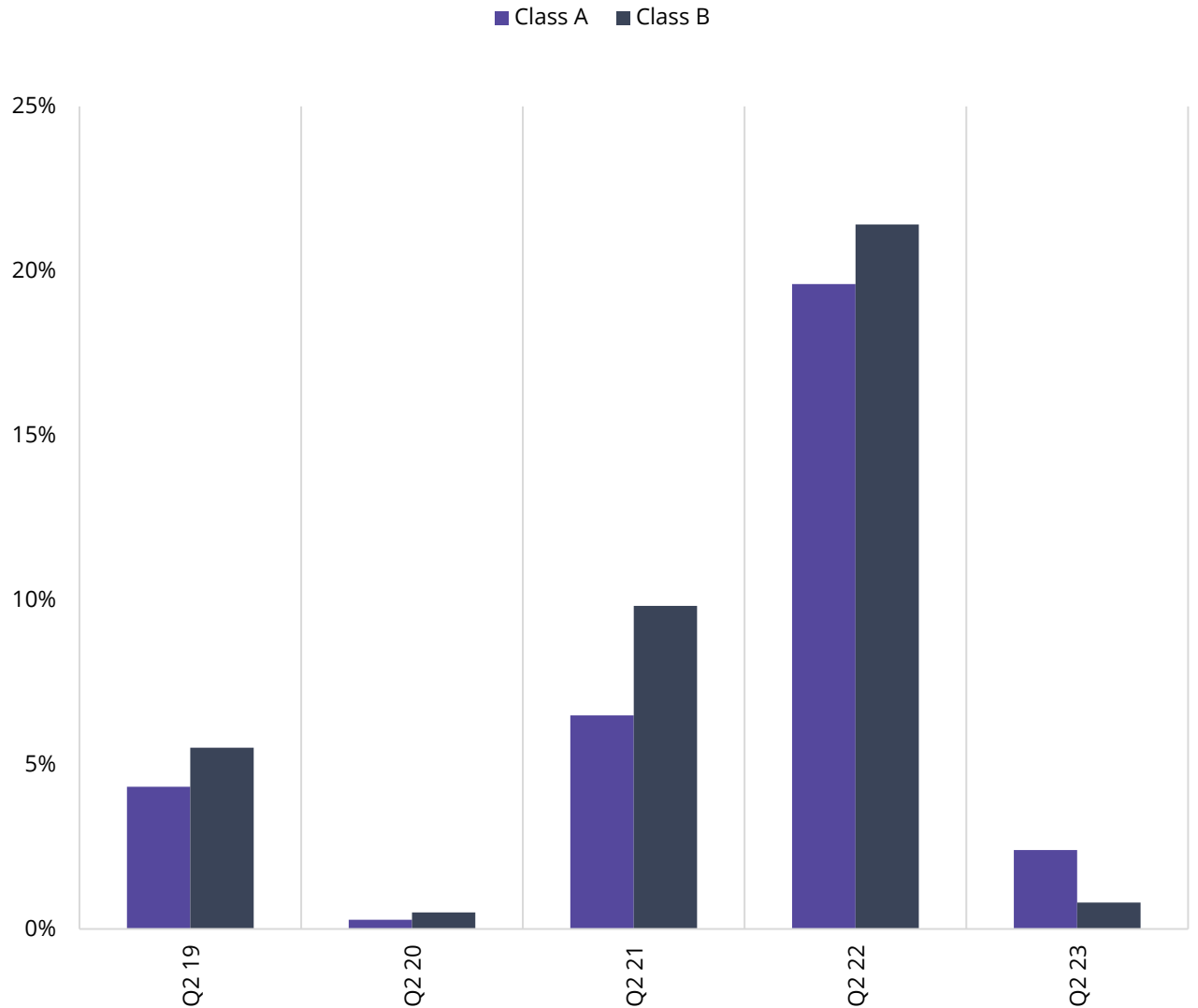
Raleigh-Durham is one of leading markets for employment and class A rent growth since 2019.

Effective rent growth since 2019 by class

2.4%

Class A annual effective growth

Rent growth in Class A apartments has rebounded from cycle lows. Following four years of Class B product leading effective rent performance in Raleigh-Durham, Class A properties reported a 2.4% bump in annual rent growth in Q223. Average effective Class A rents reached \$1.98 psf, while average Class B rates were reported at \$1.58 psf.

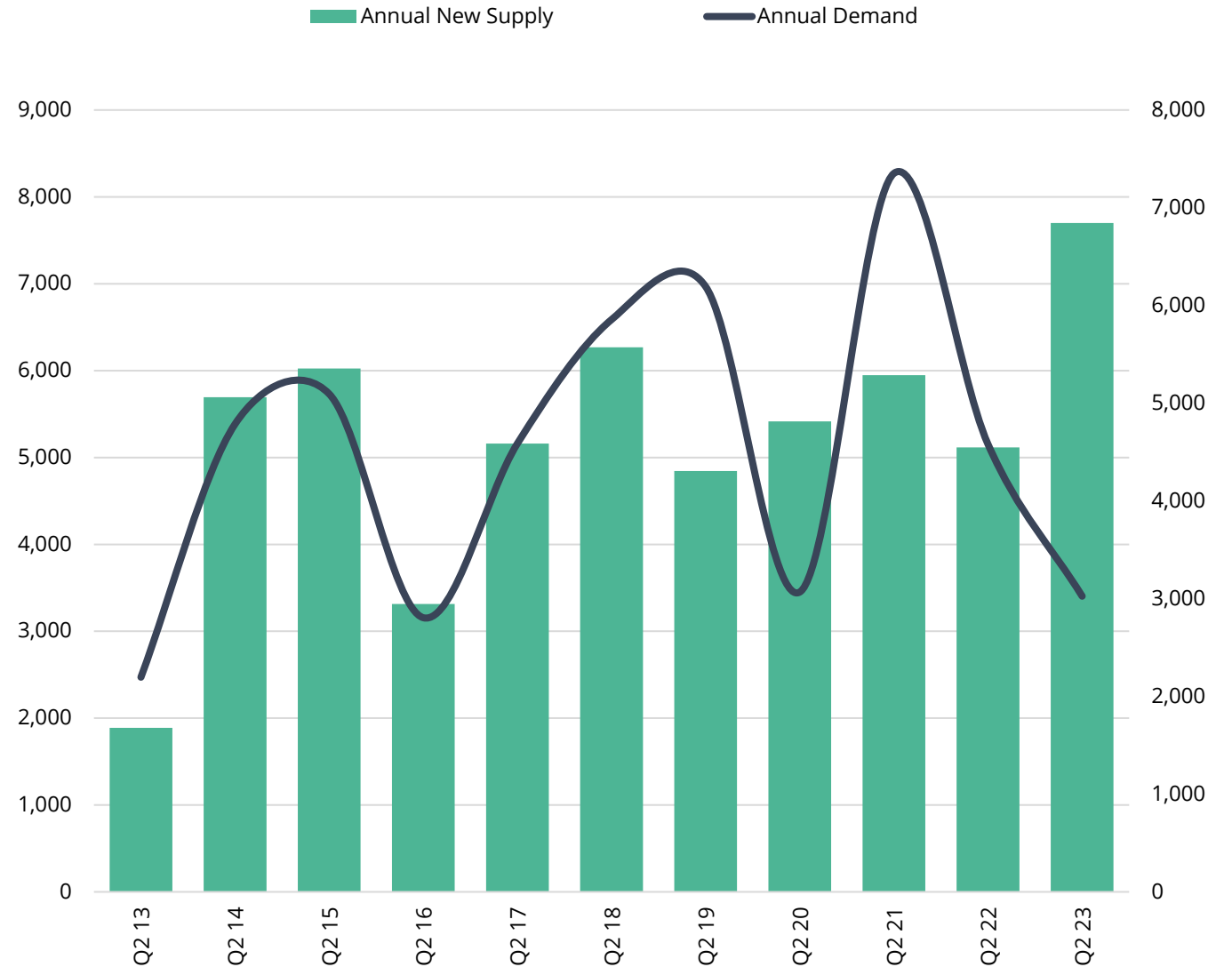


Supply and demand

3,025 units

Annual market demand

Quarterly absorption of over 1,900 units was the Triangle's strongest quarterly demand total since mid-2021. Year-over-year absorption totaled 3,025 units as demand normalizes after record levels seen in 2021. Net demand in the last year was highest in the Northeast Raleigh and South Cary Apex submarkets. Multifamily completions remain high as 7,700 units delivered within the last twelve months, increasing the Triangle's inventory by 4.4%.



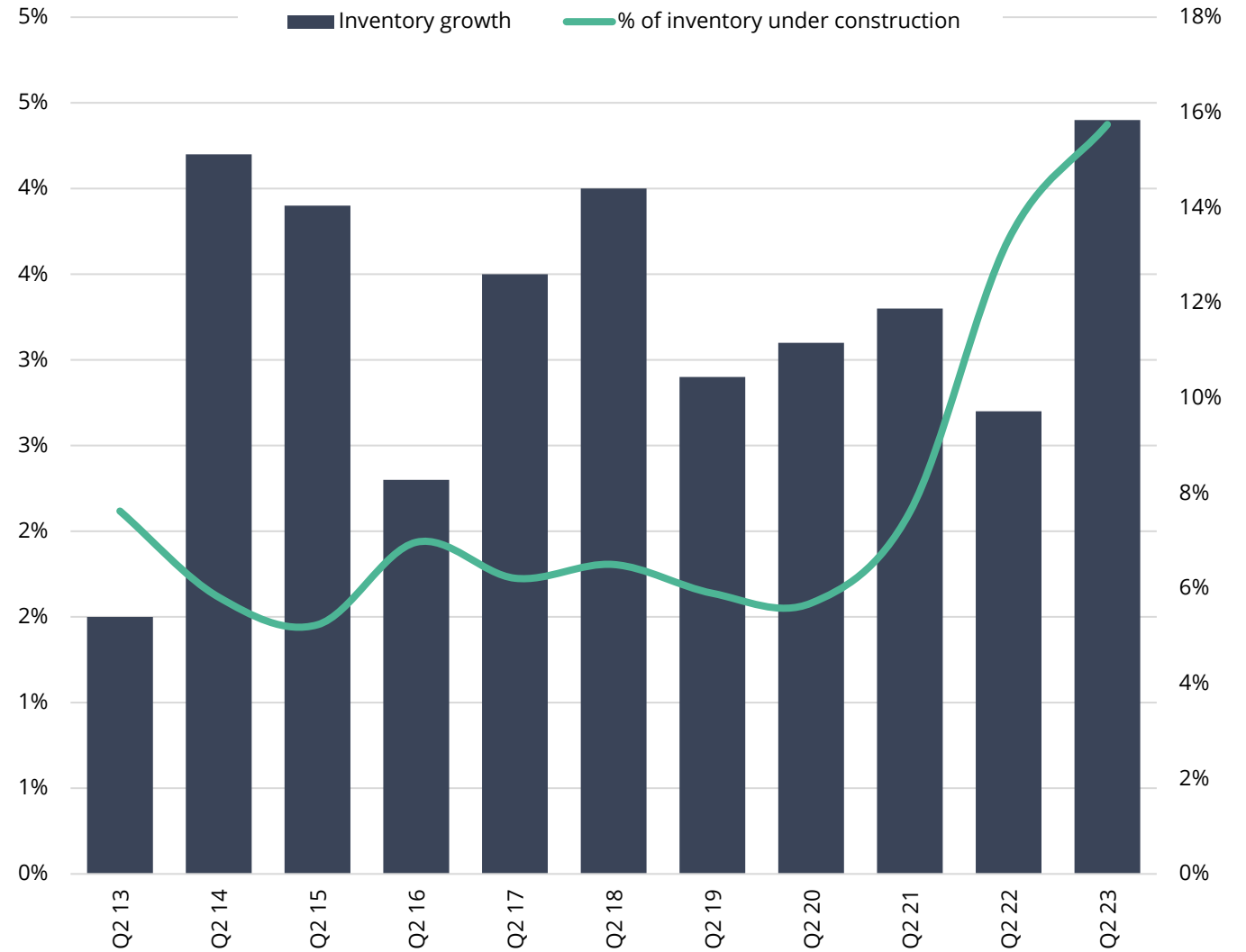
Source: RealPage, AVANT Avison Young

Inventory snapshot

15.7%

Inventory under construction.

Development activity continues to surge to keep pace with rapid economic growth in the Triangle. A record-high of 29,000 units are currently under construction. On the supply side, permits for 13,672 multifamily units were distributed in the last 12 months ending in June 2023, up 30% from the prior year.



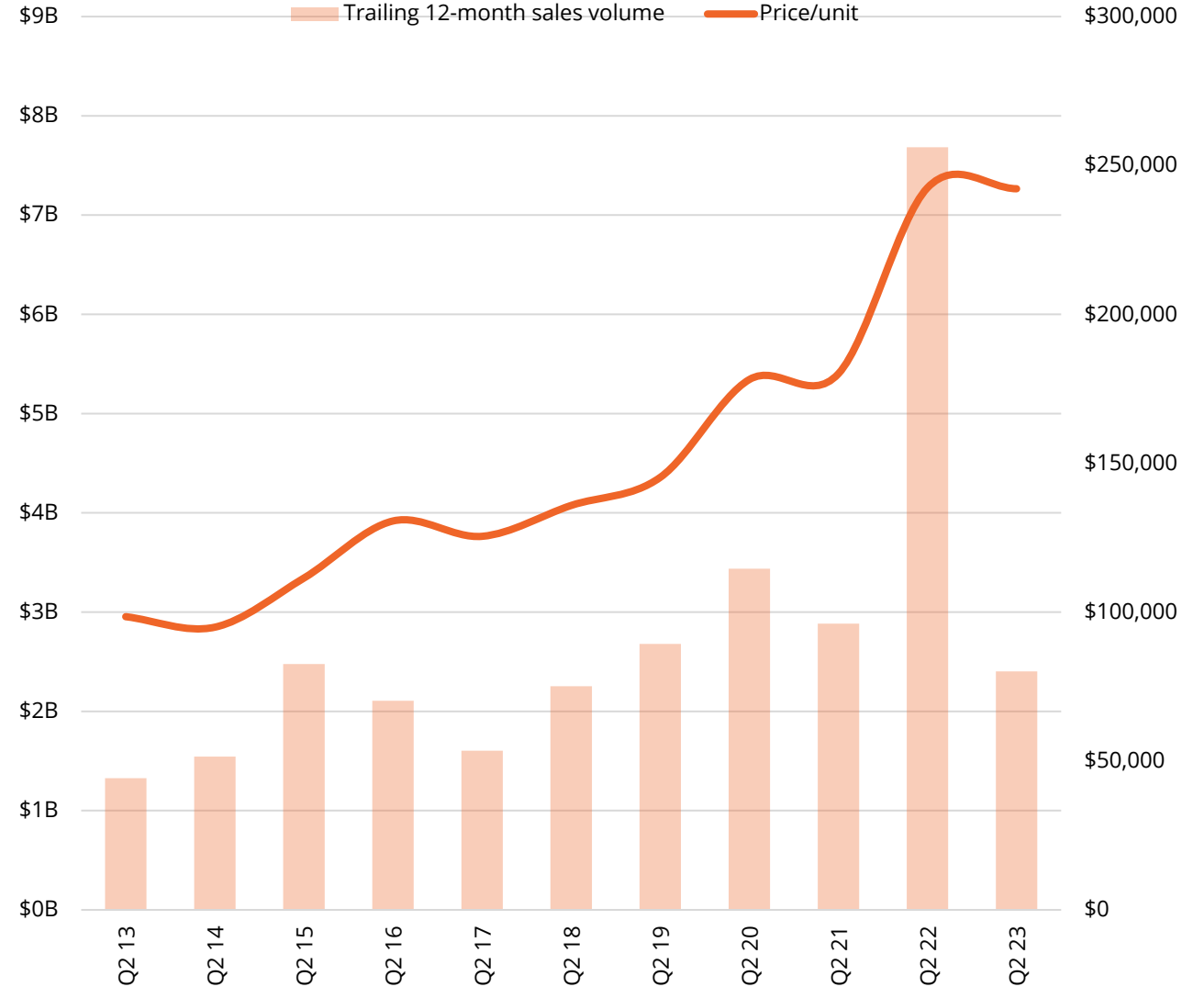
Source: RealPage, AVANT Avison Young

Investment sales

\$2.4B

Trailing 12-month sales volume

In the last 12 months, multifamily assets accounted for 53% of total investment capital in the Triangle. Private funds remain the largest capital composition accounting for 88% of multifamily transactions. The disposition of Marquis Ellis Crossing, a 336-unit property, for \$85M, was the largest sale transaction recorded in Q223.



Source: Real Capital Analytics, AVANT Avison Young

Multifamily market activity

Notable sales activity – last 12 mos.

Property	Seller	Total units	Total sales price (\$M)	Avg. unit size	Avg. price/unit	Avg. effective rent/sf
Bradford	Northwood Ravin	390	\$149	1,219	\$382,051	\$1.69
Aviation Crossing	Westbrook Partners	298	\$120	988	\$402,865	\$1.83
AXIS Crossroads	Boston Capital	344	\$111	1,265	\$322,674	\$1.43
Valentine Commons (student)	Provident Resources Group	928 beds	\$103	1,054	\$370,451	\$2.79
Trinity Commons at Erwin	Crossland Group; Northwood Investors	342	\$100	952	\$292,398	\$1.81
Broadstone Oak City	Alliance Residential	335	\$94	903	\$279,104	\$1.64
Liberty Warehouse	Duck Pond Realty	247	\$89	879	\$360,324	\$2.51
Southpoint Glen*	Stonebridge Investments	346	\$88	885	\$254,335	\$1.78
Marquis Ellis Crossing	Duck Pond Realty	336	\$85	1,070	\$253,845	\$1.69
Stonehenge Apartments**	Investcorp; Carroll Organization	452	\$85	1,052	\$188,053	\$1.28
Hawthorne Davis Park	Cortland	287	\$85	1,050	\$294,425	\$1.74
Alister Lake Lynn	American Landmark	312	\$79	953	\$253,205	\$1.65

*Stonebridge NC apartment portfolio (\$88M of \$106M)

**Project Wolfplace apartment portfolio (\$85m of \$379m)

Notable development

Property	Submarket	Property status	Total units	Property type	Developer
Union West	Central Raleigh	Under construction	560	Podium	Hoffman & Associates
Platform	Central Raleigh	Under construction	442	Wrap	Kane Realty Corporation
Ellis Crossing	East Durham	Under construction	428	Garden	The Halle Companies
Preston Ridge	North Cary/Morrisville	Under construction	425	Garden	Akridge/Kettler
Camden Durham	Durham/Downtown	Under construction	420	Wrap	Camden Property Trust
Aura Chapel Hill	Chapel Hill/Carrboro	Under construction	419	Wrap	Trinsic Residential Group

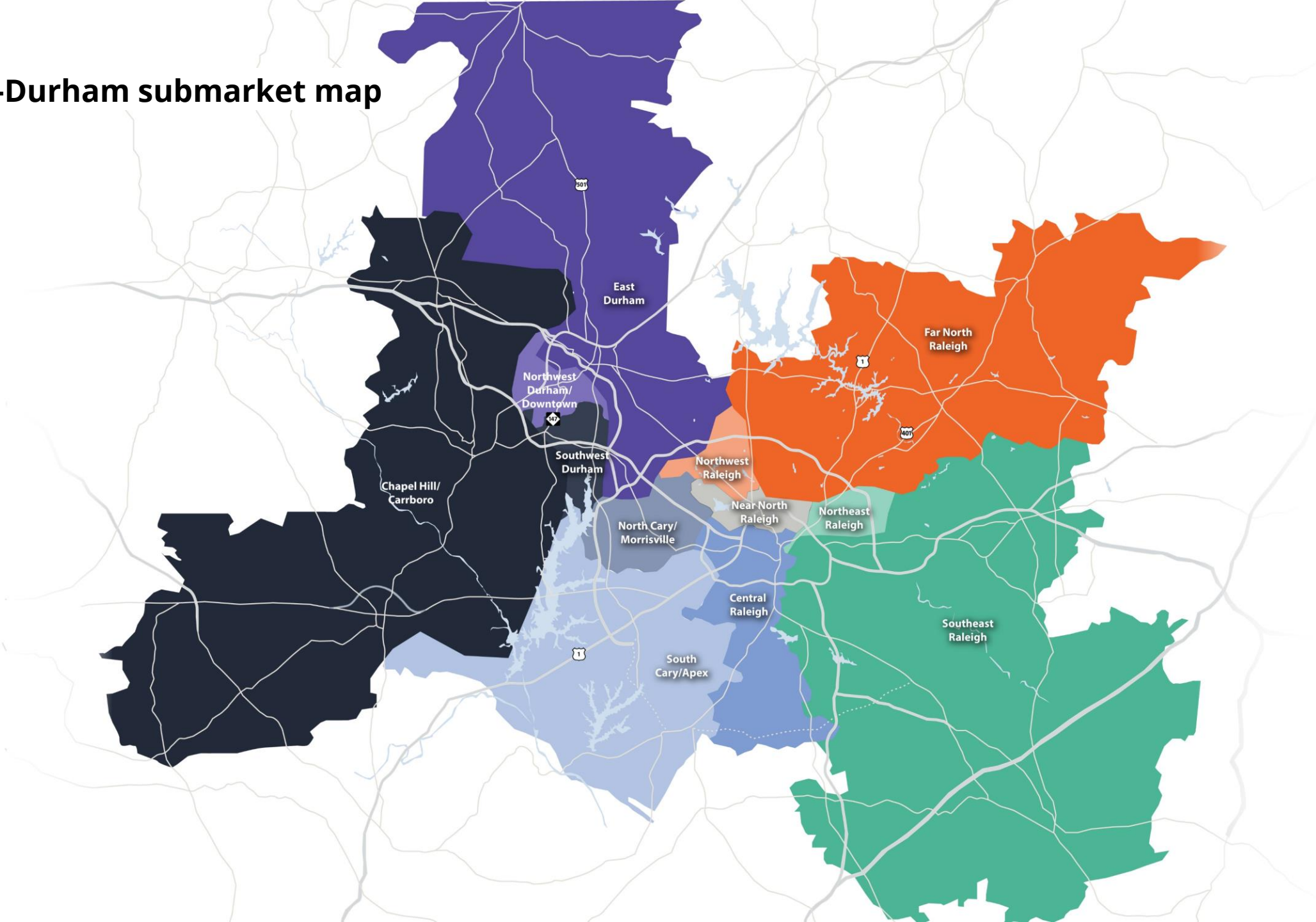
Multifamily submarket activity

By Submarket	Existing units	Occupancy %	Net absorption	New supply	Under construction	Average effective rents	
			TTM	TTM	(units)	Rent/unit	Rent/psf
Central Raleigh	26,133	93.4%	877	1,555	5,847	\$1,626	\$1.75
Chapel Hill/Carrboro	17,502	92.4%	-300	402	2,414	\$1,588	\$1.68
East Durham	7,920	94.0%	-194	0	2,566	\$1,529	\$1.58
Far North Raleigh	11,434	93.8%	440	725	1,367	\$1,496	\$1.49
Near North Raleigh	18,038	93.3%	411	926	2,082	\$1,545	\$1.69
North Cary/Morrisville	20,063	94.6%	121	410	2,860	\$1,660	\$1.62
Northeast Raleigh	10,349	94.1%	664	829	2,404	\$1,469	\$1.52
Northwest Durham/Downtown	16,015	92.0%	338	724	1,935	\$1,576	\$1.82
Northwest Raleigh	10,544	93.6%	-236	0	485	\$1,538	\$1.53
South Cary/Apex	14,681	94.6%	486	809	2,482	\$1,597	\$1.56
Southeast Raleigh	14,842	92.9%	257	788	3,938	\$1,477	\$1.48
Southwest Durham	16,714	93.7%	161	532	628	\$1,491	\$1.53
Market Total	184,235	93.6%	3,025	7,700	29,008	\$1,562	\$1.61

By asset class	Occupancy %	YoY change in			Concession Value	Concession value % of asking rents
		Occupancy	Area per unit	Eff. rent/unit		
Class A	93.8%	-0.6	942	\$1,868	\$88.00	4.7%
Class B	93.8%	0.1	974	\$1,540	\$37.00	2.2%
Class C	92.9%	-0.5	979	\$1,341	\$70.00	5.1%

*TTM is noted as trailing 12 mos.

Raleigh-Durham submarket map



For more market insights
and information visit
avisonyoung.com

Kathy Gigac, SIOR

Principal, Managing Director
+1 919 785 3434
kathy.gigac@avisonyoung.com

Steven B. Peden

Principal
Capital Markets | Multifamily
+1 919 719 8198
steven.peden@avisonyoung.com

Kyle Gonzalez

Vice President
Capital Markets | Multifamily
+ 1 919 785 3434
kyle.gonzalez@avisonyoung.com

Emily Bostic

Transaction Manager
Capital Markets | Multifamily
+ 1 919 866 4247
emily.bostic@avisonyoung.com