



Raleigh-Durham multifamily market report

Q3 2023

**AVISON
YOUNG**

Multifamily market trends

01

Annual Demand Among the Top 10 in the U.S.

Annual demand of **6,668 units** at the close of the third quarter placed Raleigh-Durham among the **top 10 markets in the U.S. for absorption** performance. Only two out of twelve submarkets reported annual net move-outs, a notable improvement from year-over-year absorption totals of just 600 units reported in Q123.

02

Narrowing Rent Gaps

The Triangle's ***highest-supplied** submarkets experienced **rent compression** between new construction and Class B product, in part due to heavy lease-up concessions. In the highest-supplied submarket, Southeast Raleigh, there is only a **5% gap** in average rents between new construction and Class B.

**high-supply submarkets are defined as those with more than 10% inventory growth*

03

Investment Sales

While apartment sales volume was down 71% year-over-year, **multifamily remains the largest** recipient of investment capital, representing **59% of total transactions** in the Triangle. Total investment sales volume reached **\$1.9 billion** in last twelve months. Capital sources, both on the debt and equity side, are also likelier to provide capital to multifamily more broadly than other asset classes.



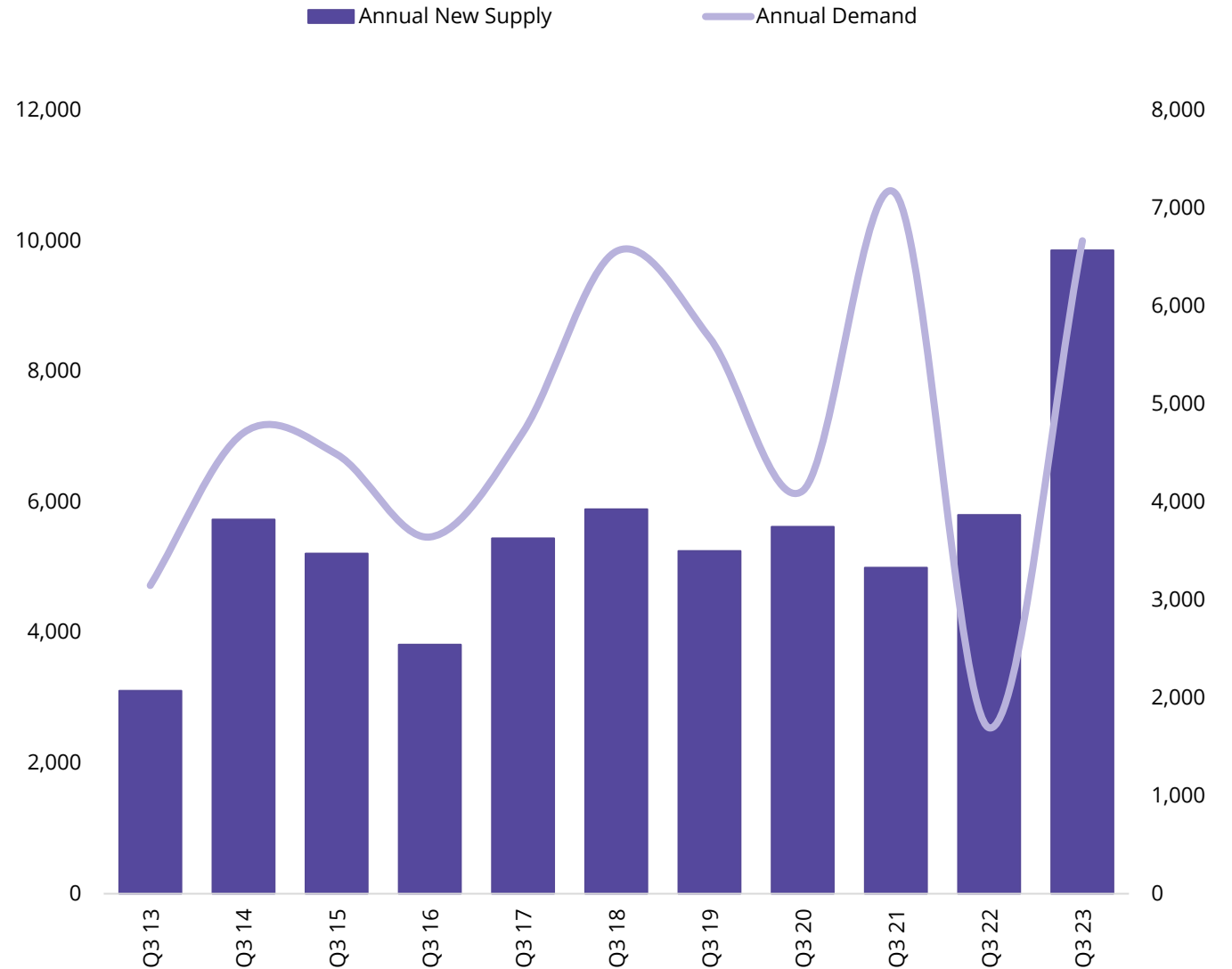
Supply and demand

6,668 units

Annual market demand

Annual demand of 6,668 units placed Raleigh-Durham among the Top 10 markets in the country for annual demand performance in the third quarter. Annual net demand was highest in the Central Raleigh and Northeast Raleigh submarkets.

Quarterly demand across the Raleigh-Durham market continues to increase as 3,410 units were absorbed in Q3 2023, the highest on record for the market.



Source: RealPage, AVANT Avison Young

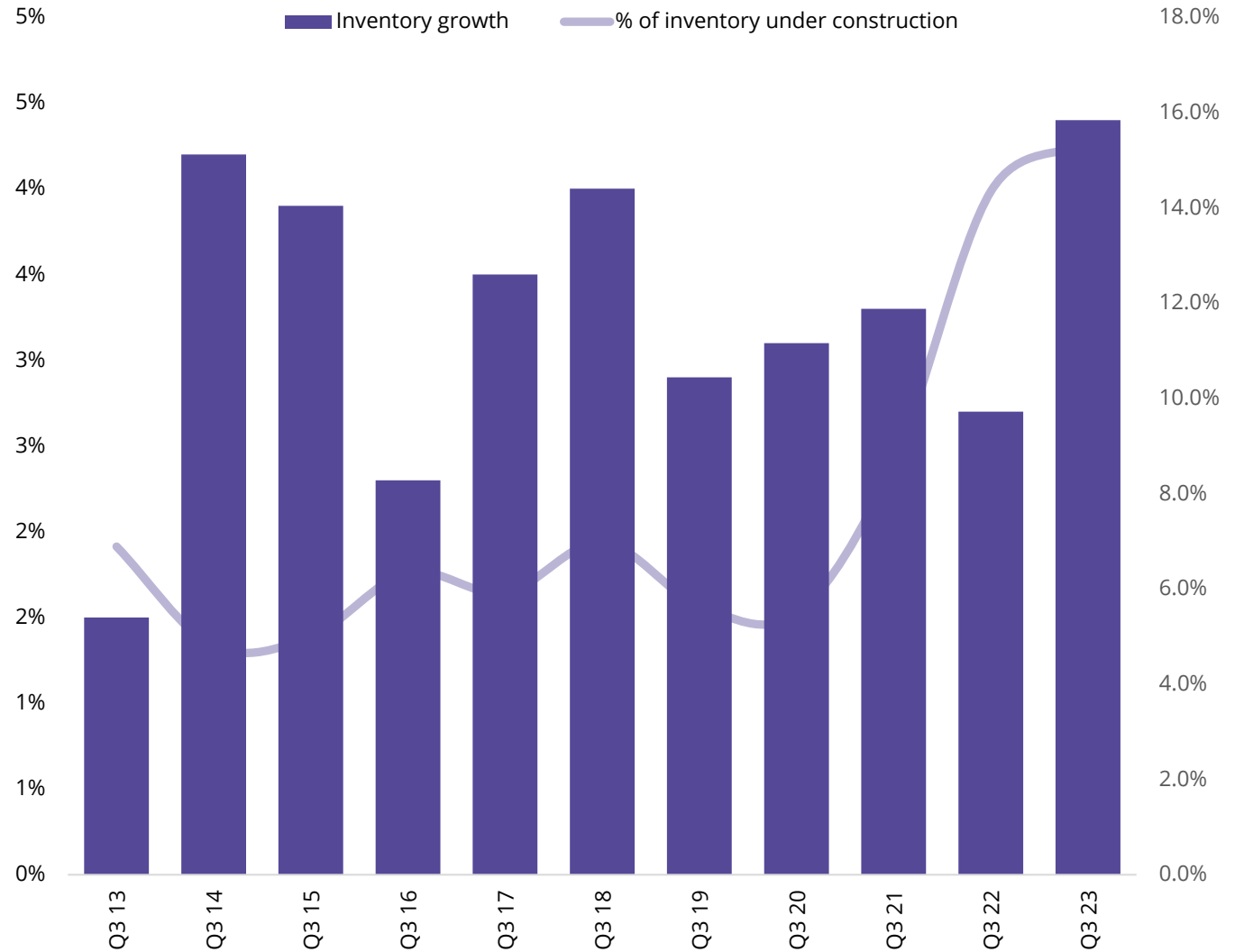
Inventory snapshot

15.7%

Inventory under construction.

Despite record-setting quarterly absorption, the Raleigh-Durham market's supply level continues to outweigh total market demand. In Q3 2023, 3,688 units were delivered pushing annual deliveries in the market to 9,855 units. Slated delivery totals are expected to increase in the Central and Southeast Raleigh submarkets.

At the close of third quarter, 28,875 units were under construction with an additional 18,557 units expected to deliver within the next year.



Source: RealPage, AVANT Avison Young

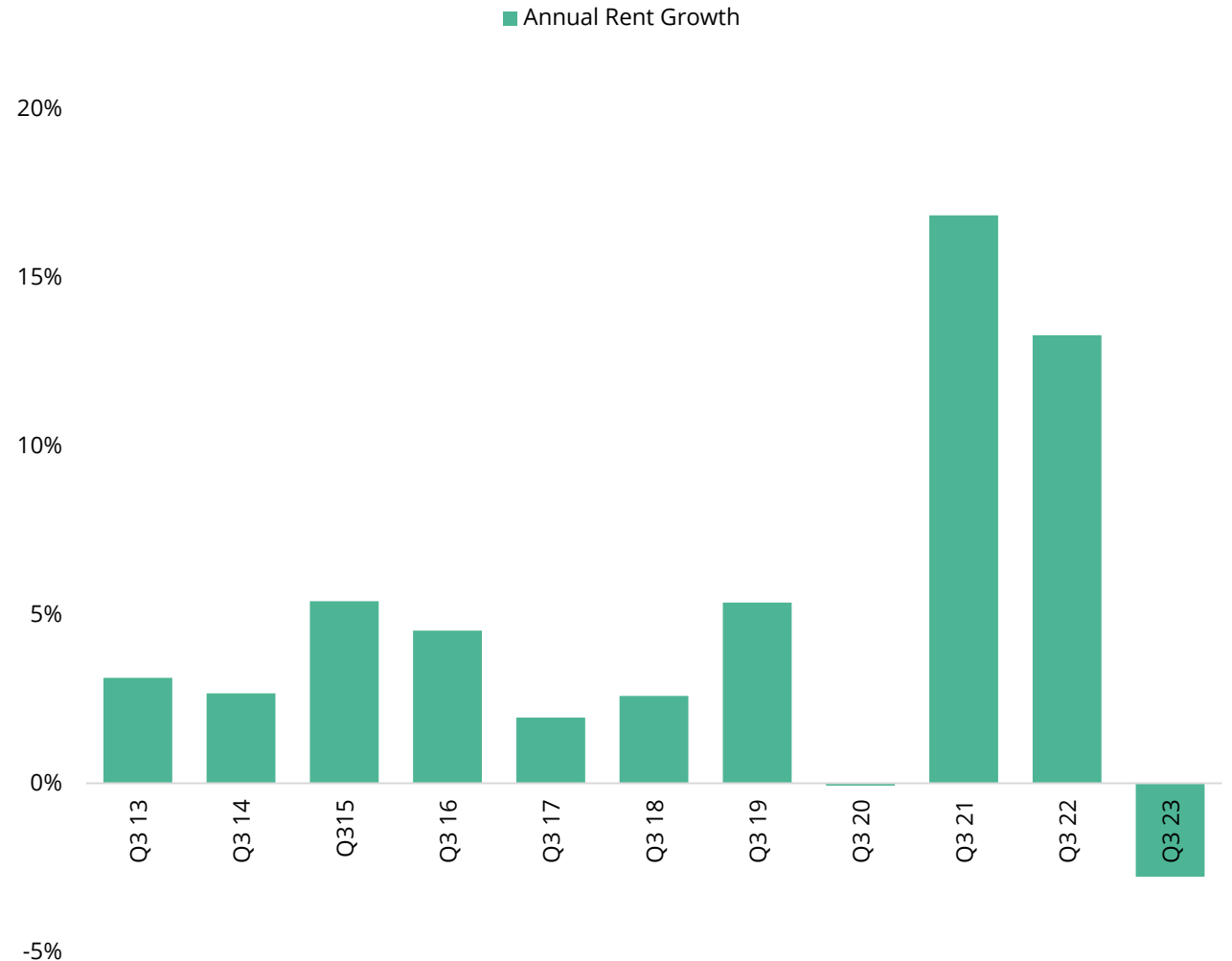
Effective Rental Rates

\$1.62

Effective asking rate/psf

Annual effective asking rents for new leases were reduced by 2.8% in the third quarter, while quarterly rates were moderately reduced by 0.1%. Class A assets reported the slightest annual rent decline of 1.6% compared to Class C product which reported a decline of 4.0%.

The average effective asking rate was reported at \$1,563 per unit or \$1.62 psf.



Source: RealPage, AVANT Avison Young

Investment sales

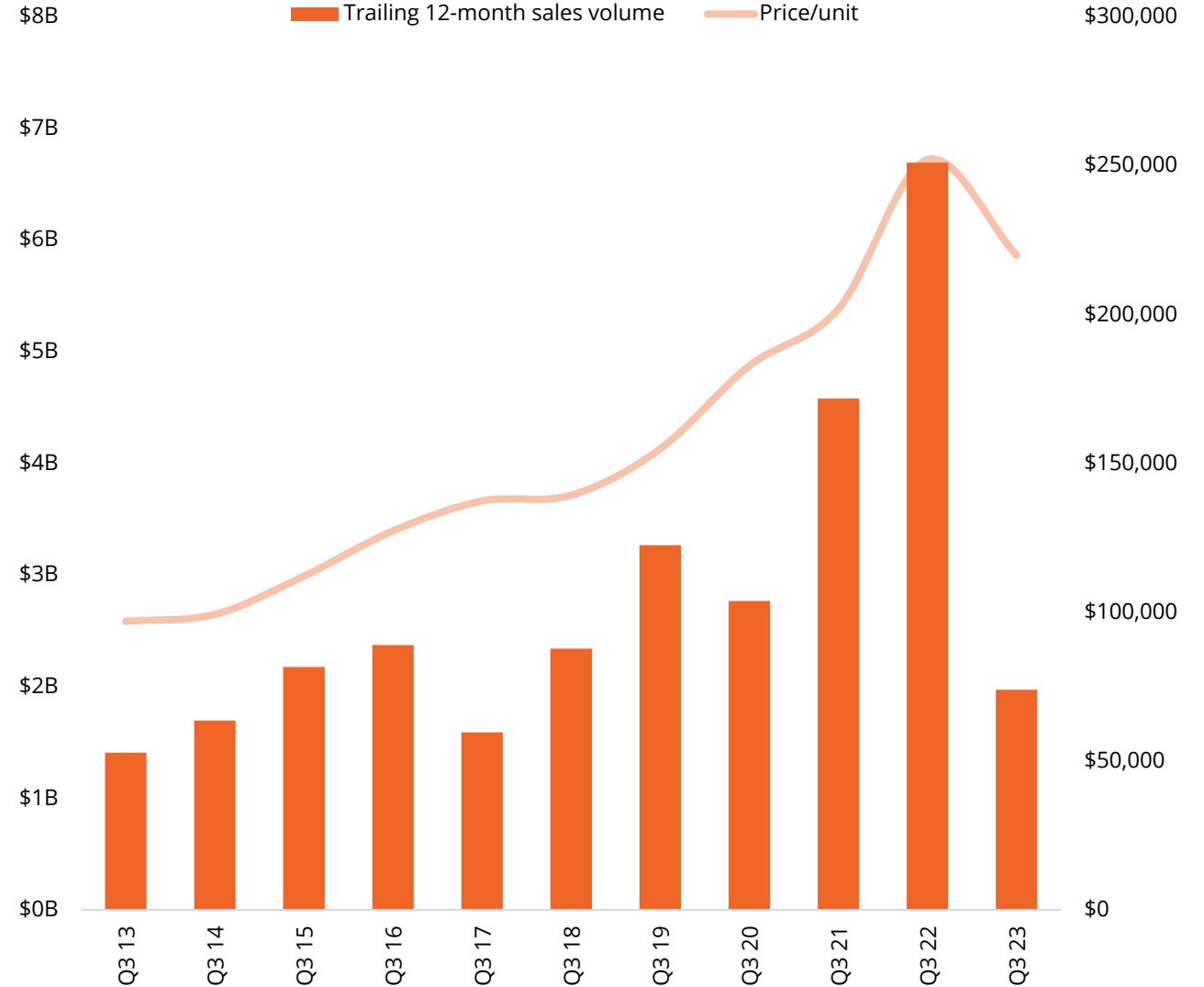
\$1.9B

Trailing 12-month sales volume

Year-to-date, private funds remain the largest capital composition accounting for 51% of multifamily transactions in the Triangle.

The disposition of Kelby Farms, a 277-unit property that is currently under construction was the largest sale transaction recorded in the third quarter at \$85M or \$306,000/unit.

In the last 12 months, multifamily assets accounted for 59% of total investment capital in the Triangle.



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	1,123	\$382,051	\$1.61
Trinity Commons at Erwin	Crosland Group, Northwood Investors	342	\$100	952	\$292,398	\$1.81
Broadstone Oak City*	Alliance Residential	335	\$94	899	\$279,104	\$1.58
Liberty Warehouse	Duck Pond Realty	247	\$89	879	\$360,324	\$2.50
Marquis Ellis Crossing	Duck Pond Realty	336	\$85	1,070	\$253,845	\$1.60
Kelby Farms**	Woodfield Investments	277	\$85	1,001	\$305,957	\$1.78
The Villages at Olde Towne	Halle Cos	360	\$85	922	\$234,722	\$1.68
Legacy at Wakefield	Carter Haston	368	\$80	973	\$216,599	\$1.52
Bell Jones Franklin	TDK Construction	280	\$80	951	\$287,004	\$1.87
Manor Six Forks	Waterton Associates	298	\$74	943	\$249,161	\$1.59
The Villages at Westford	Blackstone	296	\$74	1,038	\$250,000	\$1.62
Novo Blue Ridge	Shelton McNally RE Partners	280	\$74	932	\$263,036	\$1.75

*Lease-Up

** Under construction/lease-up

Notable development

Property	Submarket	Property status	Total units	Property type	Developer
The Weld	Central Raleigh	Under construction	675	Podium	SLI Capital
Carver Street Assemblage	East Durham	Under construction	623	Garden	Private Developer
Union West*	Central Raleigh	Under construction	385	Podium	Hoffman & Associates
The Village at Ellis Crossing	East Durham	Under construction	519	Garden	The Halle Companies
Platform	Central Raleigh	Under construction	442	Tower	Kane Realty
Preston Ridge	North Cary/Morrisville	Under construction	425	Garden	Akridge

*Developer scaled unit count down from previous 500+ units (35 stories) to 385 apartments (23 stories)

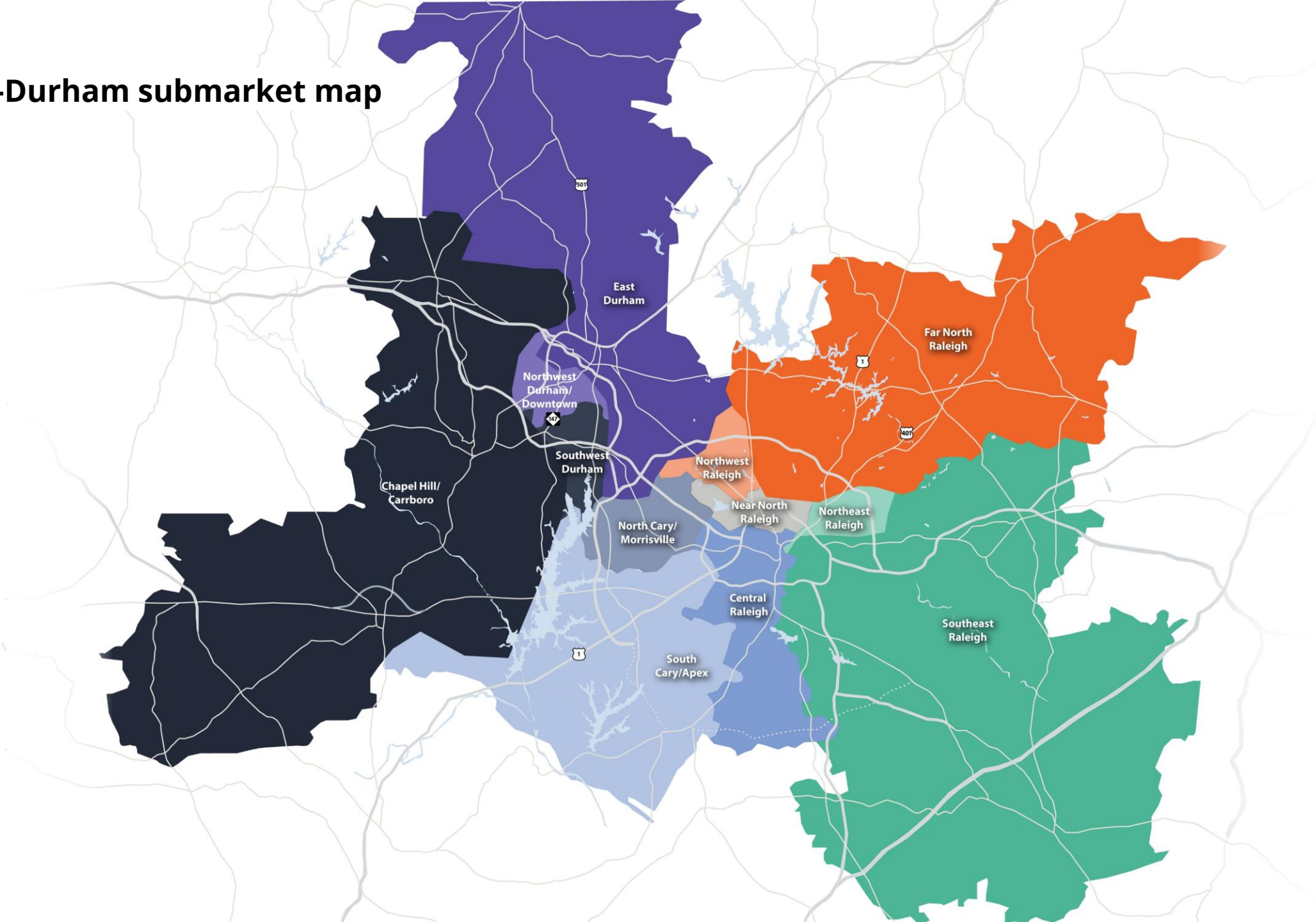
Multifamily submarket activity | Q3 2023

By Submarket	Existing units	Occupancy %	Annual Demand	Annual Supply	Under construction	Average effective rents	
					(units)	Rent/unit	Rent/psf
Central Raleigh	26,726	93.8%	1,396	1,867	6,185	\$1,633	\$1.77
Chapel Hill/Carrboro	17,774	92.7%	227	674	2,454	\$1,588	\$1.70
East Durham	8,055	93.6%	-70	135	2,930	\$1,509	\$1.55
Far North Raleigh	11,852	93.1%	803	1,118	1,233	\$1,504	\$1.50
Near North Raleigh	18,590	93.7%	878	1,221	1,484	\$1,545	\$1.69
North Cary/Morrisville	20,727	94.4%	499	736	2,728	\$1,641	\$1.61
Northeast Raleigh	10,860	94.3%	1,181	1,245	2,627	\$1,456	\$1.50
Northwest Durham/Downtown	16,267	91.8%	455	691	1,993	\$1,612	\$1.86
Northwest Raleigh	10,544	93.8%	-134	0	485	\$1,516	\$1.51
South Cary/Apex	14,780	94.7%	486	698	2,383	\$1,618	\$1.58
Southeast Raleigh	14,998	93.6%	522	794	3,782	\$1,492	\$1.49
Southwest Durham	16,956	93.4%	425	676	591	\$1,487	\$1.52
Market Total	188,129	93.6%	6,668	9,855	28,875	\$1,563	\$1.62

Raleigh-Durham asset class performance | Q3 2023

By asset class	Occupancy %	YoY change in		Area per unit	Eff. rent/unit	Eff. rent/psf	Concession Value	Concession as a % of asking rents
		Occupancy	Area per unit					
Class A	93.9%	-0.1	930	\$1,867	\$2.01	\$67.00	3.6%	
Class B	93.6%	-0.2	971	\$1,545	\$1.59	\$41.00	2.7%	
Class C	93.4%	0.5	989	\$1,357	\$1.37	\$48.00	3.4%	

Raleigh-Durham submarket map



For more market insights
and information visit
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