

A photograph of a modern, multi-story multi-family residential building. The building features a mix of white and grey exterior panels, large windows, and balconies with glass railings. In the foreground, there is a paved walkway, a low concrete wall, and a dense row of green hedges. A small tree and a vertical garden with green leaves are also visible. The sky is blue with light clouds.

# Raleigh-Durham multifamily market report

Q1 2023

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**AVISON  
YOUNG**

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# Multifamily market activity

## 01

### Rent Growth

Raleigh-Durham's annual rent growth per unit totaled **4.1%** in 1Q23. While the pace of rent growth has moderated, the market's average has **remained positive** since the third quarter of 2020. Concessions for existing inventory averaged **\$51.00**. The Triangle can expect to post positive net absorption as the market moves into peak leasing season and as a result of key drivers including elevated single-family home pricing and a strong job market.

## 02

### Supply

Apartment construction continues at a record pace as the market prepares for significant inventory bumps. A record **25,339 units\*** are currently under construction. Inventory delivered in the last 12 months achieved an average asking rate of **\$1.95 psf**, while existing inventory resulted in an average effective rate of **\$1.60 psf** in 1Q23. Historically, Raleigh-Durham has handled elevated supply volumes well, pushing solid rent growth despite increasing competition from new deliveries.

*\*includes properties currently under construction and in lease*

## 03

### Capital Markets

Investor demand has entered a period of measurable tightening which may soften liquidity and place upward pressure on cap rates. Despite these headwinds, the economy has yet to enter a recession and the Triangle region's job growth and overall economic fundamentals **remain healthy**. Multifamily continues to lead the Triangle in total investment sales volume over the last 12 months by **62%** as investor allocations remain focused on multifamily product.

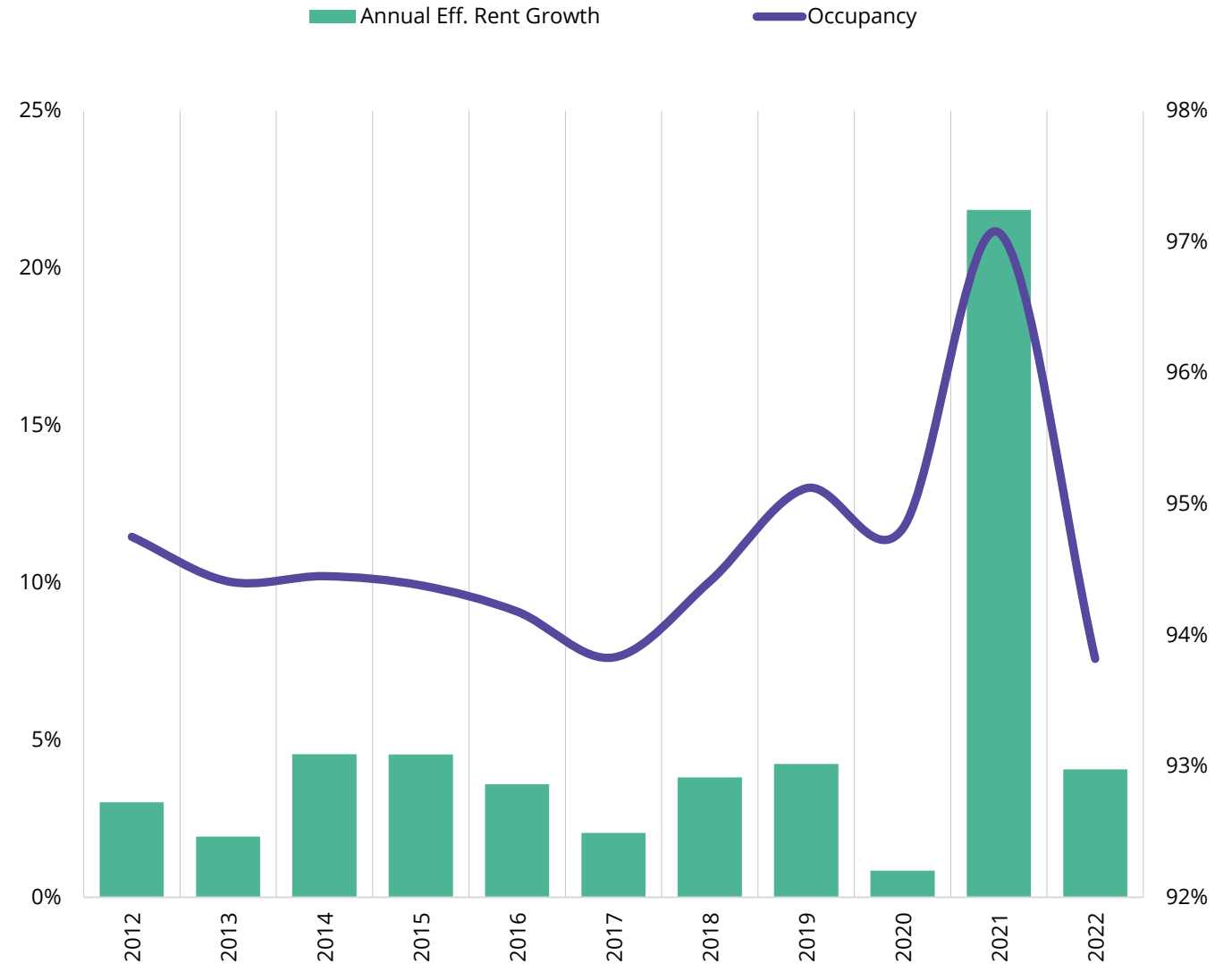


# Effective rent growth

# 4.1%

## Annual effective growth/unit

Average effective rent growth per unit totaled 4.1% year-over-year as pricing continued to soften after record high rent growth levels above 21% in 1Q22. Despite a decline in the pace of annual rent growth, The Triangle continues to experience positive rent growth and has done so consecutively since the onset of the pandemic.

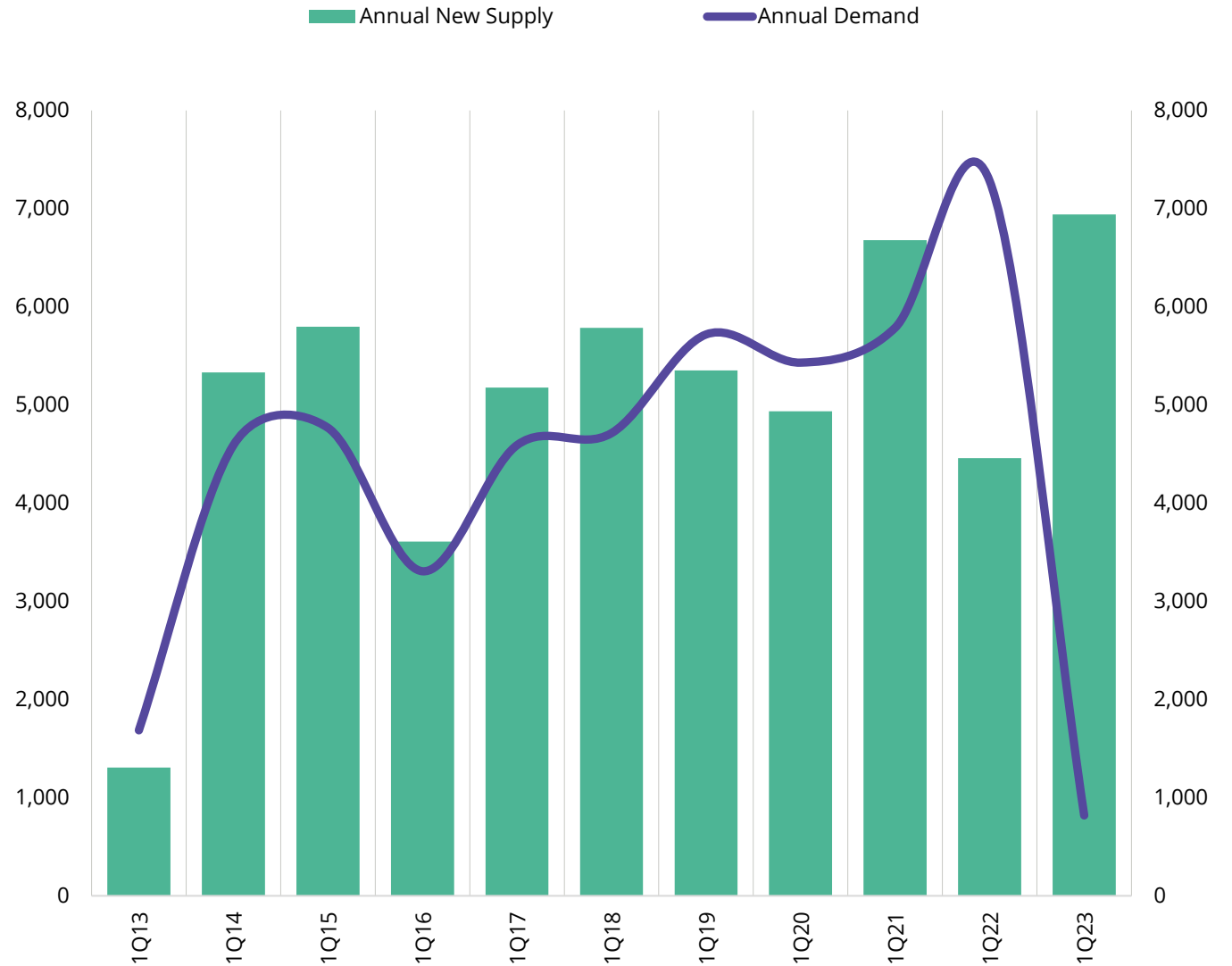


# Supply and demand

# 4.0%

## Inventory growth increase

New apartment completions remain elevated as 6,943 units delivered in the last twelve months, increasing local inventory base by 3.8%. While demand moderated in 2022, net absorption in the Triangle remains positive and the market can look for annual absorption to improve moving into peak leasing season. Net demand in the first quarter of 2023 was highest in Southeast Raleigh and South Cary/Apex submarkets.



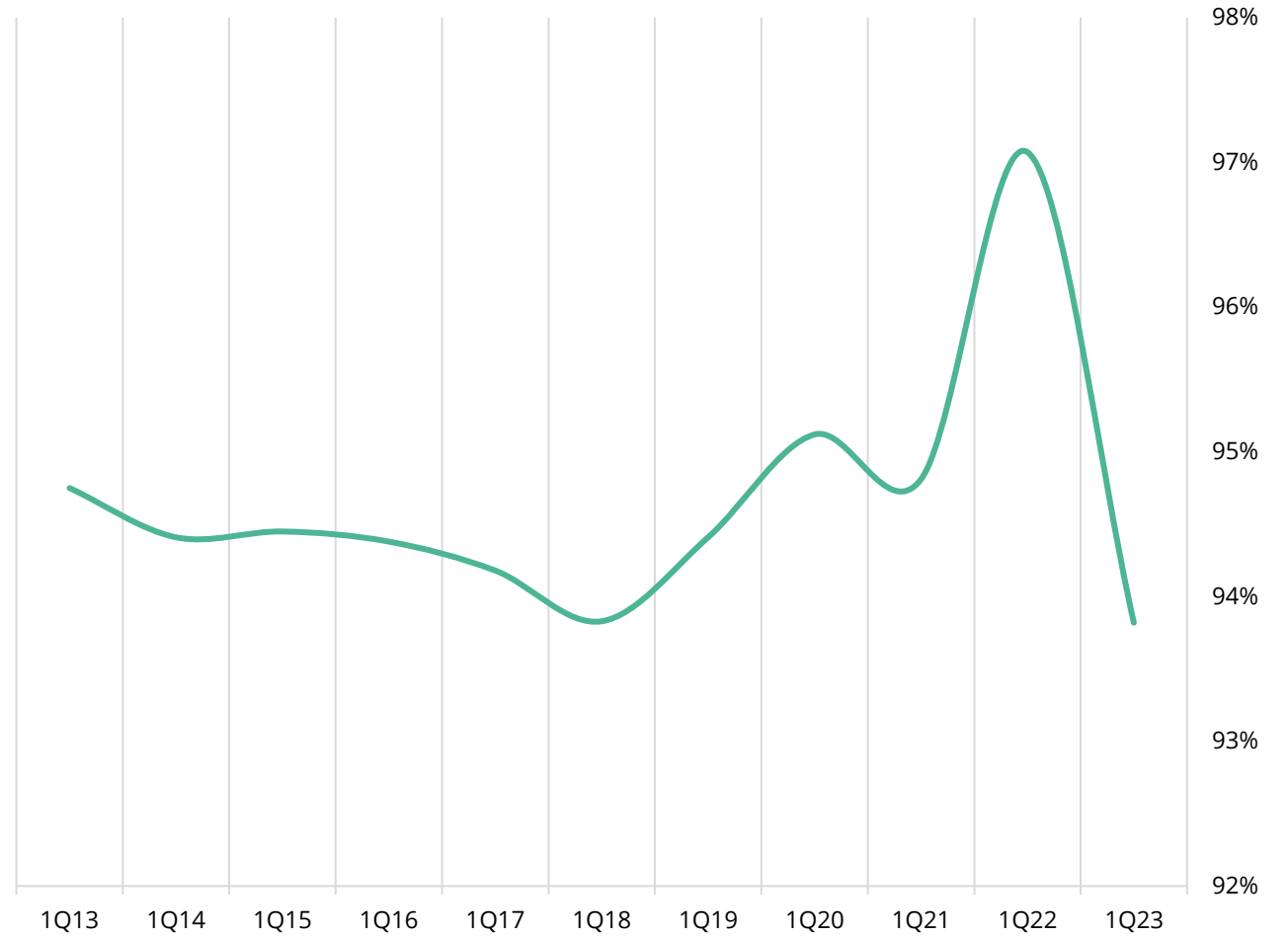
# Occupancy

# 93.8%

1Q23 occupancy rate

Despite moderation in net demand, overall occupancy rates in the Triangle remained solid averaging 95% over the past 3 years. First quarter occupancy declined by 325 bps year-over-year.

# Occupancy

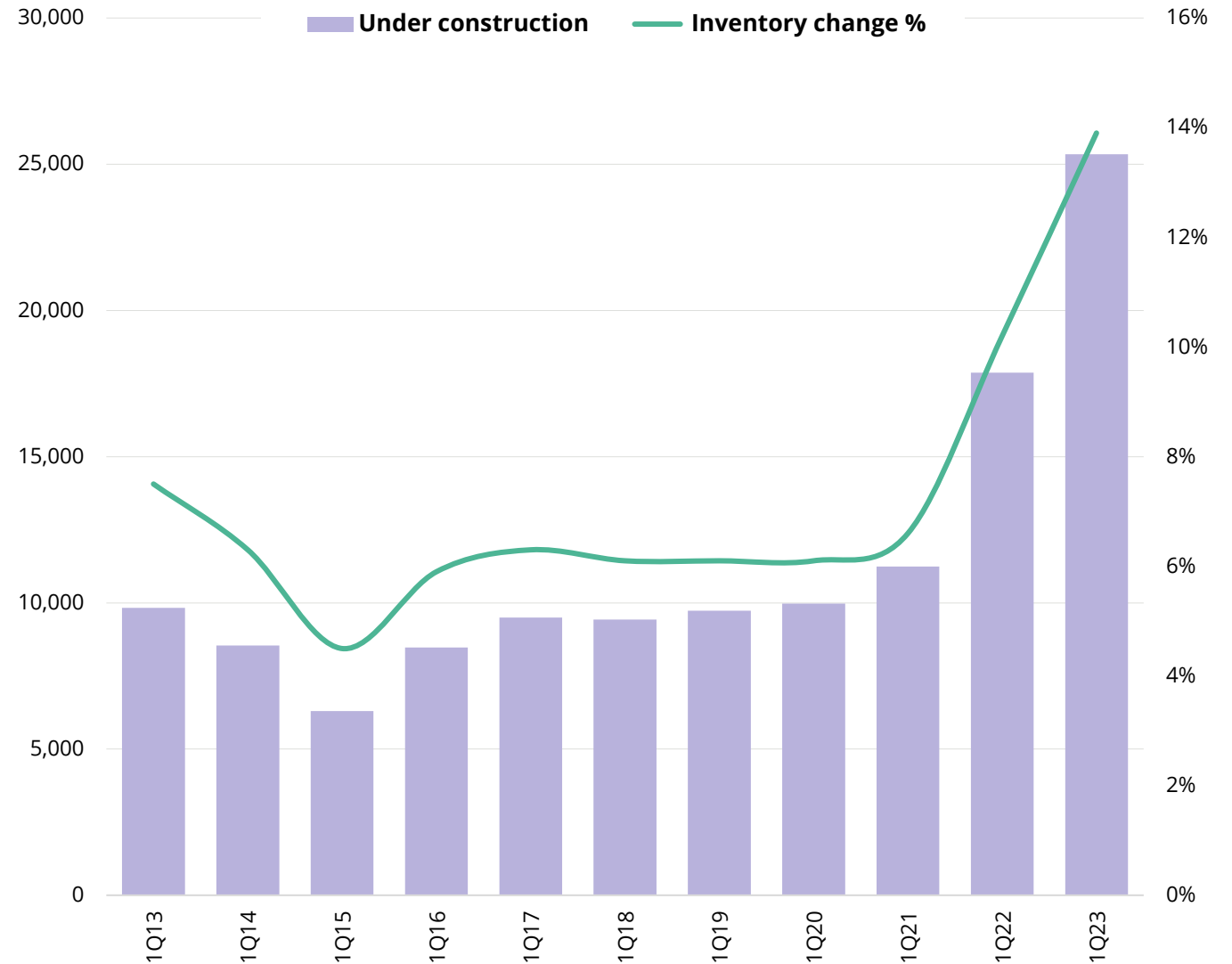


## Development pipeline

# 25k units

Inventory under construction.

Much of the multifamily industry news surrounding Raleigh-Durham has focused on new supply. In the past decade, apartment operators delivered over 71,000 new units in the market. How well the market can absorb high levels of supply is yet to be determined as a record-high 25,339 units are currently under construction. On the supply side, permits for 13,940 multifamily units were issued in the last 12 months ending in February 2023, up 1,723 units from the prior year's total.



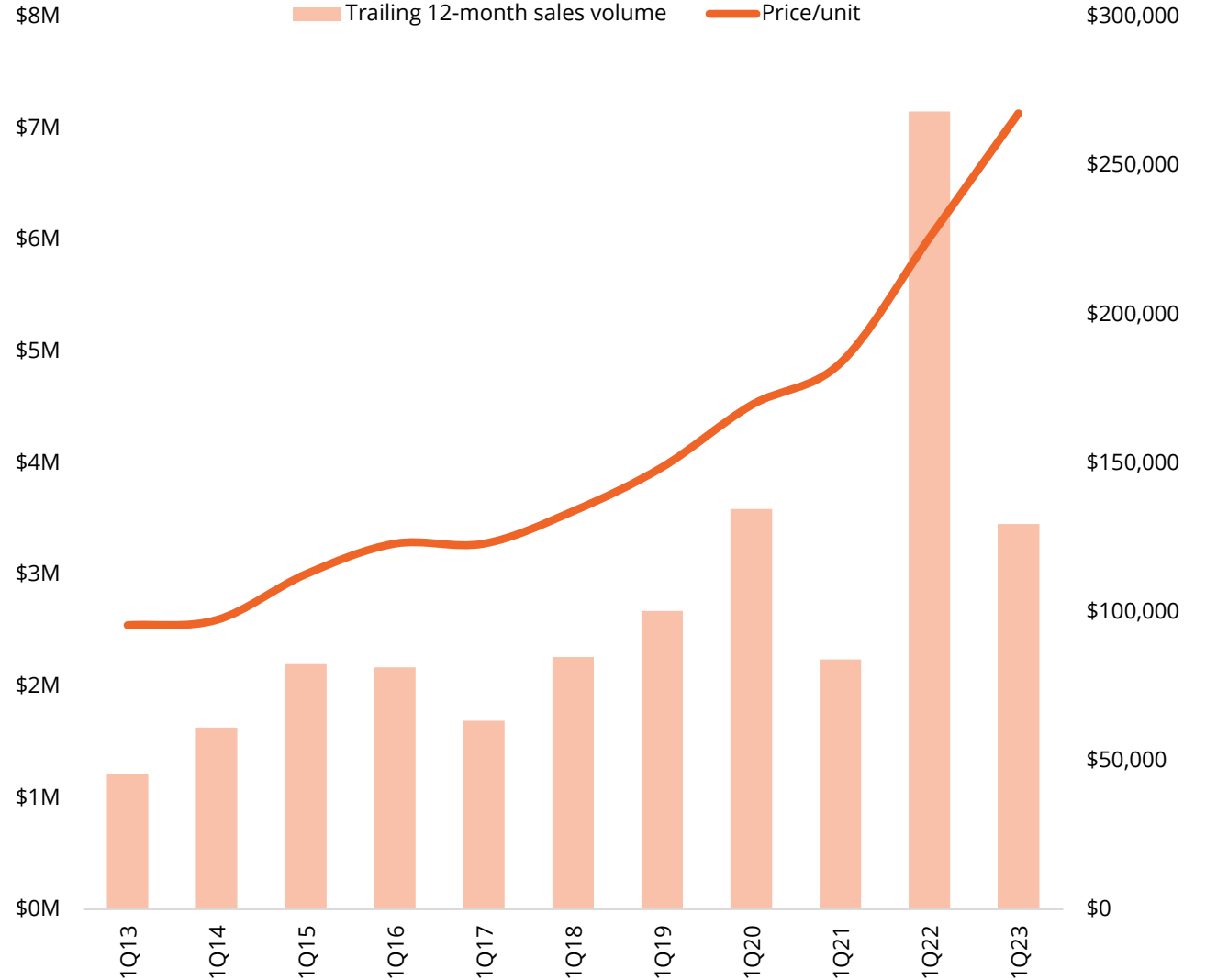
Source: RealPage, Avison Young

# Investment sales

# \$3.5B

## Trailing 12-month sales volume

Multifamily assets again represented the majority share of investment capital in the Triangle, as trailing 12-month sales volume totaled \$3.5B. While rent growth slowed in 1Q23, apartment fundamentals continue to support a strong outlook in the near-term. The May 2022 disposition of Foxwood Luxury Apartments, a 460-unit property, for \$165M, remains the largest transaction in the last twelve months.



Source: Real Capital Analytics, 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
Foxwood Luxury Apartments*	QVT Mount Auburn Capital	460	\$165	1,082	\$358,808	\$1.44
Bradford	Northwood Ravin	390	\$149	1,219	\$382,051	\$1.69
Aldon at Powell and Broad	Signature Property Group	384	\$129	992	\$336,589	\$1.30
Preston View	Dermot Company, Bentall Green Oak	382	\$124	1,070	\$325,262	\$1.42
Aviation Crossing	Westbrook Partners	298	\$120	968	\$402,685	\$1.73
The Hartley at Blue Hill	Woodfield Investments	415	\$114	1,006	\$275,845	\$1.93
Wesley Apartments	Rock Companies	354	\$112	985	\$314,607	\$1.76
AXIS Crossroads	Boston Capital	344	\$111	1,265	\$322,674	\$1.32
Legacy at Six Forks**	Cedar Grove Capital	471	\$110	905	\$233,546	\$1.59
Summermill at Falls River	Banner Apartments	320	\$106	1,095	\$331,250	\$1.47
Valentine Commons (student)	Provident Resources Group	928 beds	\$102	1,054	\$263.81/sf	\$2.79
Trinity Commons at Erwin	The Connor Group	342	\$100	952	\$292,398	\$1.82
Camden Asbury ***	Camden Property Trust	350	\$100	1,019	\$201,531	\$1.59

\*Mount Auburn US apt portfolio (\$165m of \$2.4b)

\*\*Cedar Grove NC/SC/OK apt portfolio (\$110m of \$456m)

\*\*\* TRST Sunbelt apt recap portfolio (\$100m of \$2.1b)

## 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
Preston Ridge	North Cary/Morrisville	Under construction	425	Garden	Akridge/Kettler
Aura Chapel Hill	Chapel Hill/Carrboro	Under construction	419	Wrap	Trinsic Residential Group
The Boulders	Near North Raleigh	Under construction	397	Wrap	Castle Development Partners
Ardmore at Flowers	Southeast Raleigh	Under construction	396	Garden	Ardmore Residential



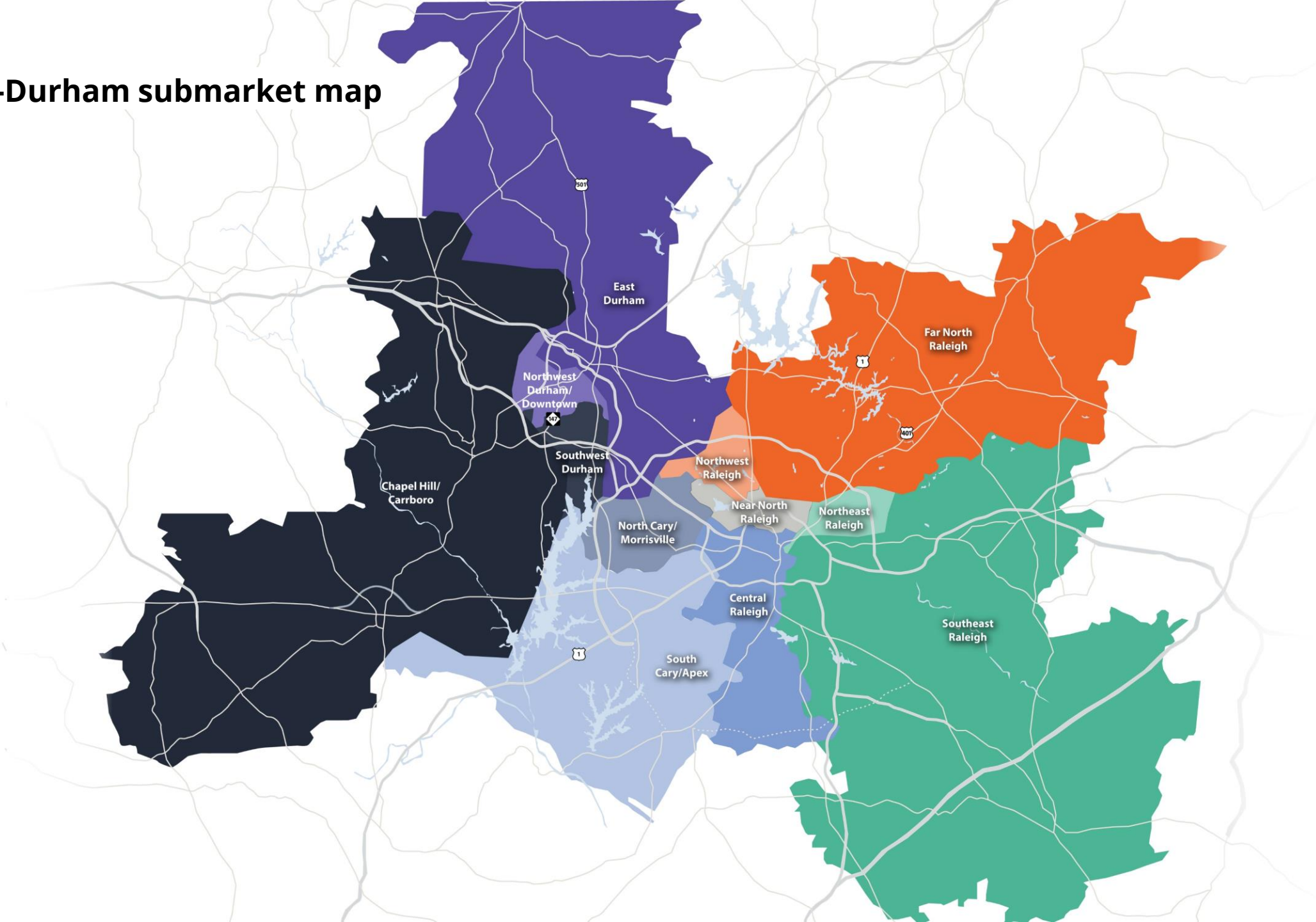
# Multifamily submarket activity

By Submarket	Existing units	Occupancy %	Net absorption	New supply	Under construction	Average effective rents	
			TTM	TTM	(units)	Rent/unit	Rent/psf
Central Raleigh	24,260	93.8%	732	1,537	5,134	\$1,591	\$1.73
Chapel Hill/Carrboro	17,323	93.8%	-452	236	1,837	\$1,572	\$1.66
East Durham	7,920	95.0%	-164	0	1,535	\$1,456	\$1.53
Far North Raleigh	11,222	93.6%	99	513	1,666	\$1,491	\$1.48
Near North Raleigh	17,773	93.2%	242	877	2,259	\$1,542	\$1.68
North Cary/Morrisville	20,063	94.5%	-120	396	2,375	\$1,640	\$1.60
Northeast Raleigh	10,165	93.4%	260	645	2,349	\$1,438	\$1.49
Northwest Durham/Downtown	15,752	93.3%	-174	461	1,661	\$1,608	\$1.87
Northwest Raleigh	10,544	94.0%	10	300	485	\$1,497	\$1.49
South Cary/Apex	14,339	94.4%	484	828	2,143	\$1,560	\$1.54
Southeast Raleigh	14,388	92.7%	-64	702	3,391	\$1,462	\$1.46
Southwest Durham	16,630	94.1%	-129	448	504	\$1,451	\$1.48
<b>Market Total</b>	<b>180,379</b>	<b>93.8%</b>	<b>724</b>	<b>6,943</b>	<b>25,339</b>	<b>\$1,537</b>	<b>\$1.59</b>

By asset class	Occupancy %	YoY change in	Area per unit	Eff. rent/unit	Eff. rent/psf	Concession	Concession value
		Occupancy				Value	% of asking rents
Class A	94.4%	-0.2	930	\$1,863	\$2.00	\$80.00	4.4%
Class B	93.8%	-0.3	977	\$1,516	\$1.55	\$37.00	2.5%
Class C	93.4%	-1.2	970	\$1,300	\$1.34	\$61.00	4.5%

\*TTM is noted as trailing 12 mos.

# Raleigh-Durham submarket map



For more market insights  
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