

NAR Commercial Real Estate Metro Market Report | 2021.Q2

Raleigh, NC

Core-Based Statistical Area Code: 39580

The Raleigh, NC commercial real estate market is stronger compared to the overall U.S. market.
NAR Commercial Real Estate Market Conditions Index* 70.5

Overall economic conditions are stronger than nationally.
The apartment property market is stronger than nationally.
The office property market is stronger than nationally.
The industrial property market is stronger than nationally.
The retail property market is stronger than nationally.
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

I. Economic and Demographic

	Raleigh, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Economic							
Total non-farm employment ('000)	648	639	601	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	47	(14)	(44)	8,102	(6,637)	(13,215)	
Y/Y % chg. in nonfarm payroll employment	7.7%	-2.1%	-6.8%	5.8%	-4.4%	-8.7%	<i>Job creation is stronger than nationally</i>
Unemployment rate (%)	3.8%	3.9%	7.7%	5.9%	6.0%	11.1%	<i>Unemployment rate is lower than nationally</i>
Average weekly wages	\$1,051	\$1,025	\$1,009	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	4.1%	2.9%	1.8%	4.3%	6.7%	5.6%	<i>Wages are rising at a slower pace than nationally</i>
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	3.0%	6.0%	5.7%	2.3%	2.9%	2.3%	
Median household income	\$80,096	\$75,165	\$72,576	\$87,470	\$84,423	\$81,284	
Demographic							
Net domestic migration ('000)	#N/A	18.5	16.0	0	0	0	
Population ('000)	#N/A	1,391	1,362	329,484	328,330	326,838	
Population growth (%)	#N/A	2.14%	2.05%	0.35%	0.46%	0.53%	
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	5.5%	7.0%	7.2%	4.2%	4.7%	5.5%	<i>The area has a higher vacancy rate than nationally</i>
Absorption of units over the quarter	1,944	1,431	1,504	226,871	169,053	78,282	<i>The area has a lower pace of absorption than nationally</i>
Absorption of units in past 12 months	5,202	4,762	3,092	603,925	455,336	255,168	
Market asking rent per unit	\$1,359	\$1,228	\$1,186	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	14.5%	4.5%	0.7%	6.1%	3.9%	1.8%	
Effective rent per unit	\$1,348	\$1,209	\$1,172	\$1,000	\$972	\$945	
Effective rent per unit, y/y % chg	15.0%	3.7%	1.0%	6.4%	3.7%	2.3%	<i>Rents are rising faster than nationally</i>
Rent as a percent of 2-person annual wage income	14.8%	13.6%	13.4%	10.9%	10.7%	10.7%	<i>The rent to income ratio is higher than nationally</i>
Supply indicators							
Inventory	107,647	107,237	103,969	17,259,876	17,168,283	16,881,961	
Net delivered units in past 12 months	3,678	4,454	3,539	377,954	387,779	389,240	<i>Relatively more units are being delivered than nationally</i>
Net delivered units, as % of inventory	3.4%	4.2%	3.4%	2.2%	2.3%	2.3%	
Units under construction	3750	4160	5873	578,162	609,682	681,731	
Units under construction, as % of inventory	3.5%	3.9%	5.6%	3.3%	3.6%	4.0%	<i>Construction activity is more robust than nationally</i>
12-month total: 5+ unit building permits	5,667	5,024	3,365	463,443	435,217	452,345	
12-month total: all building permits	20,439	19,259	14,885	1,642,586	1,574,266	1,361,395	<i>Building permits are rising faster than nationally</i>
Ratio of jobs created to permits	2.3	(0.7)	(2.9)	4.9	(4.2)	(9.7)	
Sales transactions							
Total investment acquisitions (in million \$)	\$538.7	\$283.7	\$68.2	\$41,291.4	\$28,735.4	\$13,346.3	<i>Sales transactions are rising faster than nationally</i>
Transaction sales price per unit	\$185,449	\$158,515	\$116,114	\$100,508	\$98,594	\$80,364	<i>Prices are rising faster nationally</i>
Cap rate	4.4%	4.7%	4.7%	6.4%	6.6%	6.6%	<i>Cap rates are lower than nationally</i>

III. Office

	Raleigh, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	7.8%	7.8%	5.9%	6.1%	7.8%	5.9%	<i>The area has a higher vacancy rate than nationally</i>
Absorption in sq.ft. over the quarter	604,593	131,338	(231,585)	(9,309,111)	(51,131,309)	(13,966,267)	<i>The area has a lower pace of absorption than nationally</i>
Absorption in sq.ft. over 12 months	621,300	(214,878)	369,253	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$27.5	\$27.4	\$27.2	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	1.1%	1.7%	5.4%	0.3%	0.0%	1.3%	<i>Rents are rising faster than nationally</i>
Leasing activity in sq.ft.	1,030,188	582,495	574,999	100,568,800	81,175,252	81,276,145	<i>Leasing volume is rising faster than nationally</i>
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	11	7	(4)	1,260	(501)	(1,715)	<i>The area has slower office job creation than nationally</i>
Supply indicators							
Inventory in sq. ft.	76,153,146	75,451,904	73,921,413	12,454,676,333	12,428,381,226	12,364,751,288	
Net delivered over 12 months, in sq.ft.	2,231,733	1,822,310	1,278,901	87,967,591	76,138,970	78,991,496	<i>Relatively more units are being delivered than nationally</i>
Net delivered units, as % of inventory	2.9%	2.4%	1.7%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	999,152	1,694,394	2,715,970	177,275,188	186,528,025	209,268,041	
Under construction, as % of inventory	1.3%	2.2%	3.7%	1.4%	1.5%	1.7%	<i>Construction activity is slower than nationally</i>
Sales transactions							
Total investment acquisitions (in million \$)	\$100.8	\$173.7	\$31.9	\$23,909.8	\$21,181.7	\$11,269.3	<i>Sales transactions are rising faster than nationally</i>
Transaction sale price per sq.ft.	\$173	\$256	\$238	\$108	\$106	\$105	<i>Prices are not rising as fast than nationally</i>
Cap rate	4.4%	4.7%	4.7%	6.4%	6.6%	6.6%	<i>Cap rates are lower than nationally</i>

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IV. Industrial

	Raleigh, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	2.9%	3.5%	3.5%	4.2%	3.5%	3.5%	The area has lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	608,207	(117,515)	(193,255)	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	3,826,768	3,025,306	544,363	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$8.9	\$8.7	\$8.4	\$6.5	\$6.4	\$6.1	Rents are rising faster than nationally
Asking rent growth, y/y % chg.	5.7%	4.7%	4.3%	5.2%	4.7%	4.3%	Leasing volume is not rising as fast than nationally
Leasing activity in sq.ft.	1,430,214	728,323	1,186,497	319,474,044	296,163,970	254,024,482	
Supply indicators							
Inventory in sq. ft.	92,492,196	92,451,496	89,123,249	26,553,663,022	26,461,805,496	26,166,021,757	Relatively more units are being delivered than nationally
Net delivered over 12 months, in sq.ft.	3,368,947	3,478,247	1,870,824	385,387,457	398,260,005	382,527,483	
Net delivered units, as % of inventory	3.6%	3.8%	2.1%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	1,310,741	837,595	3,590,131	567,307,627	521,498,024	452,528,658	Construction activity is slower than nationally
Under construction, as % of inventory	1.4%	0.9%	4.0%	2.1%	2.0%	1.7%	
Sales transactions							
Total investment acquisitions (in million \$)	\$147.6	\$47.8	\$25.5	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$82	\$87	\$78	\$61	\$56	\$54	Prices are not rising as fast than nationally
Cap rate	7.2%	7.2%	0.0%	7.4%	7.2%	0.0%	Cap rates are lower than nationally

V. Retail

	Raleigh, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Demand indicators							
Vacancy rate	3.1%	3.3%	2.6%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	266,065	177,484	117,083	26,554,046	6,829,628	(12,969,003)	The area has a faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	162,063	13,081	987,236	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$21.7	\$21.1	\$20.3	\$14.5	\$14.5	\$14.3	Rents are rising faster than nationally
Asking rent growth, y/y % chg.	6.6%	4.4%	4.7%	1.4%	1.0%	1.5%	Leasing volume is not rising as fast than nationally
Leasing activity in sq.ft.	354,386	335,871	263,777	65,144,289	60,598,011	44,924,273	The area has stronger retail trade job creation than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	5.60	(1.70)	3.10	822.30	(1,100.50)	(245.60)	
Supply indicators							
Inventory in sq. ft.	74,763,224	74,629,203	74,225,326	15,772,300,571	15,764,713,778	15,724,204,780	Relatively more units are being delivered than nationally
Net delivered over 12 months, in sq.ft.	537,898	527,337	498,157	46,178,397	47,102,191	58,535,237	
Net delivered units, as % of inventory	0.7%	0.7%	0.7%	0.3%	0.3%	0.4%	Construction activity is more robust than nationally
Under construction in sq.ft.	636,108	749,763	644,624	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.9%	1.0%	0.9%	0.4%	0.4%	0.5%	
Sales transactions							
Total investment acquisitions (in million \$)	\$110.0	\$134.2	\$31.1	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$289	\$181	\$244	\$134	\$136	\$134	Prices are rising faster nationally
Cap rate	6.1%	6.4%	7.4%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

VI. Hotel/Lodging

	Raleigh, NC			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	66.3	58.6	52.0	15,395.0	13,448.0	12,637.0	Job creation in the leisure industry is stronger than nationally
Y/Y change ('000)	14.3	(13.0)	(24.1)	2,758.0	(2,297.0)	(4,590.0)	The area has a smaller share of leisure jobs than nationally
% share to nonfarm payroll employment	10.2%	9.2%	8.6%	10.5%	9.4%	9.1%	

*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.