Market Report

MULTIFAMILY 2Q/26

Raleigh Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
17,000 — Jobs will be created
1.5% — Increase Y-O-Y

CONSTRUCTION
4,400 — Units will be added
2.1% — Inventory increase Y-O-Y

VACANCY
5.6% — Vacancy rate
80 — BPS decrease Y-O-Y

RENT
$1,480 — Average effective rent by year-end
1.7% — Increase Y-O-Y

Fundamentals Lifted by Slowing Development Coinciding With Demographic Momentum

Labor market strength helps tighten vacancy. Following a period of softening fundamentals largely driven by the metro's inventory expanding by 25 percent over the past five years, conditions are stabilizing amid sharply slowing deliveries in 2026. Household formation was the second-fastest nationally during the year ended in March as residents are continually drawn to job availability and affordability relative to many other southeastern markets. Momentum should continue in 2026, with employment growth expected to rank third among major metros. Together, these trends point to a strong renter base and are expected to drive one of the fastest declines in vacancy in the U.S.

Select corridors maintain relative strength. Infill pockets around the North Hills, Fairfax Hills and Brentwood Estates are noting the highest vacancy across submarkets, largely due to weakening Class C demand. Meanwhile, strong leasing activity in central and southeast Raleigh has kept local vacancy rates near 6 percent as of the first quarter, despite these areas noting some of the metro's strongest inventory growth over the past several years. Longer term, the planned Downtown South district could further strengthen the appeal of the I-40 and South Saunders Street corridor, adding to local mixed-use momentum.

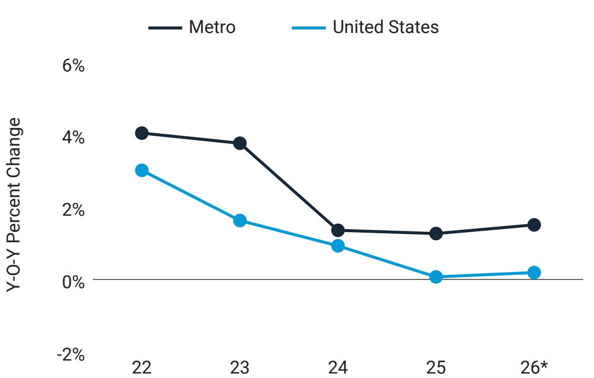
EMPLOYMENT

Following three years of decelerating hiring, Raleigh's job growth will pick back up in 2026, led by traditionally office-using and healthcare and social assistance sectors. The unemployment rate has hovered in the low-3 percent range since 2022 and stands at 3.3 percent as of the first quarter, well below the 2015–2019 average of 4.1 percent. A steady pipeline of smaller corporate expansions, including recent announcements such as Ralliant's new headquarters in North Hills, should sustain job growth.

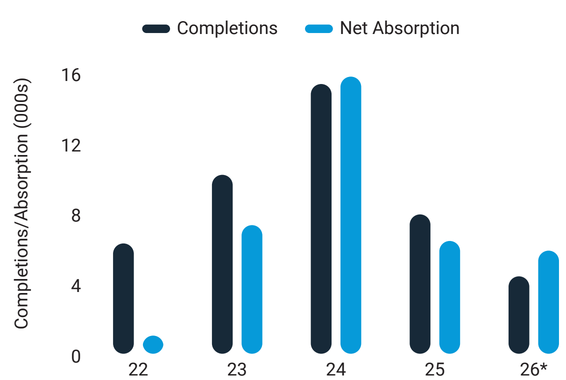
CONSTRUCTION

Completions in 2026 will total less than one-third of 2024's volume and just over half of last year's deliveries, underscoring the sharp deceleration in construction activity across the metro. As a result, inventory growth will be roughly half the trailing decade average. South Cary-Apex and Central Raleigh are expected to receive the most new supply, with each adding just under 1,000 units. Looking further ahead, supply growth is projected to reaccelerate, with 2027 deliveries nearly doubling 2026's volume.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



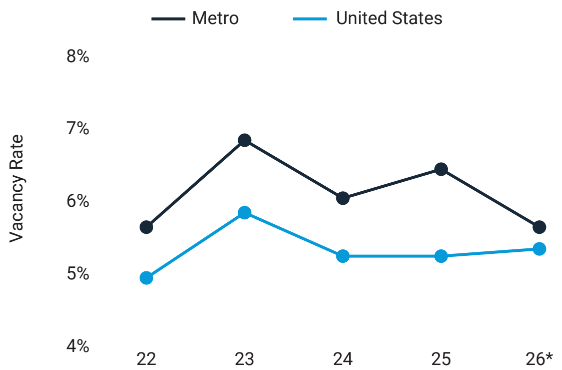
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Following eight straight quarters of net absorption exceeding 2,000 units, demand slowed in the second half of 2025 before picking up again in the first quarter of 2026. That momentum is expected to continue, underpinned by improving hiring trends. With fewer than 3,000 units being delivered over the final three quarters of the year, vacancy is expected to fall an additional 60 basis points from the March reading of 6.2 percent. Even so, the rate will remain 20 basis points above the trailing-decade average.

VACANCY TRENDS



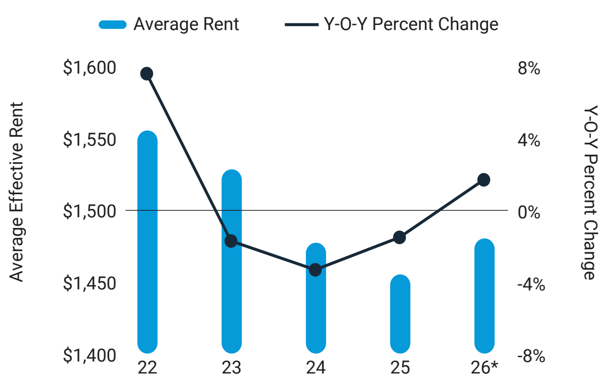
RENT

As of the first quarter, the percentage of units offering concessions in the metro remains near the highest level since 2020 at roughly 36 percent. This is evident in the 6 percent decline in the average effective rent since the end of 2022. The U.S. mean rose over 4 percent in the same span. In 2026, however, sharply declining vacancy is expected to reverse the trend. Monthly rates for Class A assets, the only segment to register modest rent growth last year, may benefit the most from reduced supply pressure.

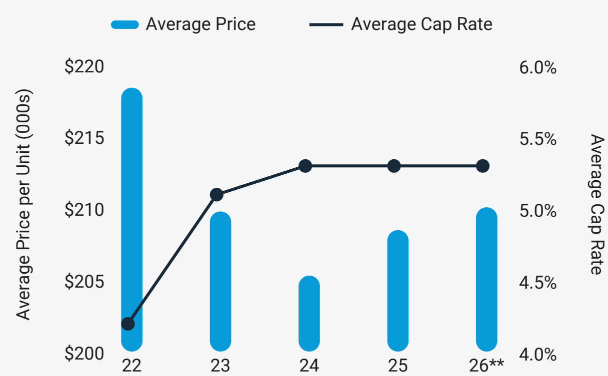
INVESTMENT HIGHLIGHTS

- Sales activity trended higher during the year ended in March, rising nearly 60 percent compared with the prior 12-month period, though trading remained 20 percent below the annual average recorded between 2015 and 2019. Much of last year's increase in activity came from properties priced above $10 million, with more than half of all trades exceeding $20 million, reflecting sustained institutional interest in the market. Properties built after 2000 also continued to expand as a share of total transactions. Looking ahead, fundamentals in newer properties are expected to improve as development tapers off, which may further encourage that trend.
- The recently approved $309 million financing package for Lenovo Center renovations adds momentum to west Raleigh's sports and entertainment node, following the 2025 approval of the surrounding $1 billion entertainment district. Planned arena upgrades are expected to modernize one of the metro's key entertainment anchors by improving concourses, adding new fan amenities, and enhancing event capacity. Over time, these projects could attract amenity-seeking renters and district employees, supporting investment in nearby West Raleigh apartments.
- Class B properties should remain appealing across the metro, with vacancy rates hovering near or below 6 percent in every submarket except Northeast Raleigh as of the first quarter. For private investors targeting these assets, suburban pockets such as Southeast Raleigh, Northwest Durham, and areas around Chapel Hill continue to pencil deals under $10 million.

RENT TRENDS



SALES TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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