

INVESTMENT FORECAST

Multifamily
Raleigh


IPA
INSTITUTIONAL
PROPERTY
ADVISORS


2020

Job Additions Lure Residents; Optimistic Trends Boost Investment Activity

Employment and household growth exceed national average, bolster rental market. The region's world-class universities provide the foundation for a highly educated workforce that is drawing companies to the region. Additionally, Xerox recently announced plans to build a Center of Excellence in Cary that will create 600 new well-paying jobs. Since 2015, more than 100,000 positions have been created throughout the metro and this year's gain will hold it in the top 10 nationwide in terms of the percentage increase among major markets. The abundance of employment opportunities, a favorable quality of life and a more affordable cost of living are enticing more residents to the region. Over the past five years, household gains that average more than 16,800 annually have placed the metro among the fastest growing in the U.S. This trend will continue in 2020, generating demand for the many rentals underway, which will keep vacancy on its downward trajectory. As a result, rents will advance, eclipsing \$1,200 per month for the first time.

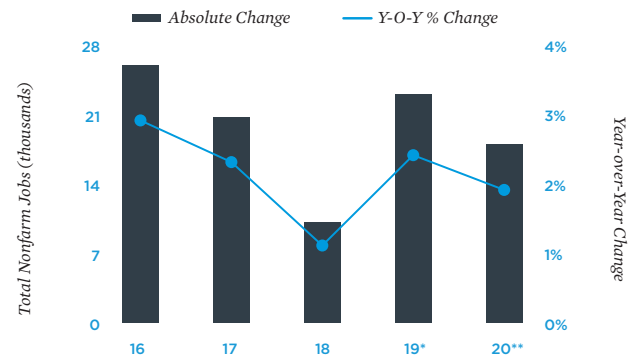
Outstanding fundamentals and attractive pricing keeping investors focused on acquisitions. Three years of increasing purchases by institutional capital sources for assets above \$20 million have the outlook for Raleigh's transaction market looking solid. The powerful combination of strong multifamily demand drivers, above-national-average rent growth and cap rates higher than primary East Coast markets will keep drawing investment capital into apartment properties across the region. Institutional capital's focus on the highly educated employment base between the universities and high-tech firms in the Research Triangle Park will keep capital inflows strong as firms search for opportunities to capitalize on this highly coveted resident profile. Assets with locations offering easy access to these employers will remain the most sought after. As transaction activity has increased, cap rates have compressed in the exceedingly competitive sales atmosphere but continue to offer higher yields than in coastal locations. In addition, due to lower land and construction costs, new developments can be purchased at lower prices per unit compared with similar product in other Southeastern region markets.

21.4%  2019 share of local population between 20 and 34 years old

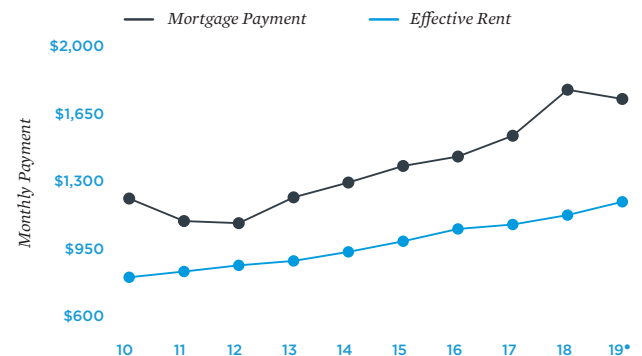
44.6%  of local population hold bachelor's degree or higher*

\$298,393  2019 median home price

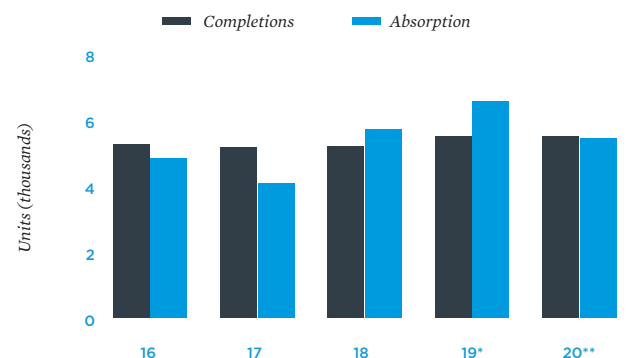
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

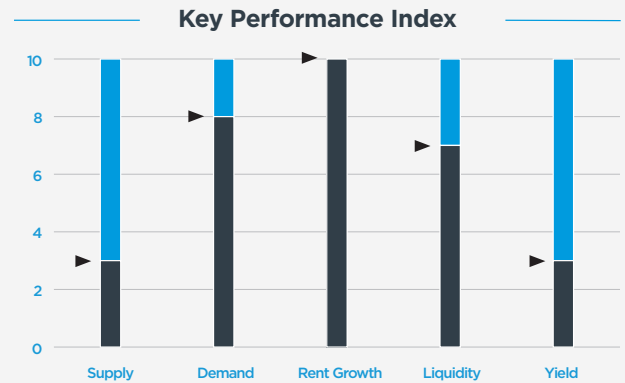
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

The rent growth index leaped three places over the past six months and now sits at the highest level nationally at 10. Demand held steady at its already-solid 8 position, which sets up Raleigh with one of the best demand and rent growth combinations going into 2020.

A large drop in the yield index from 6 to 3 points to the strong investor demand and continued cap rate compression since the summer. However, even with this decline in yield, Raleigh cap rates remain higher than primary East Coast markets. Liquidity held steady at 7 with upside potential in the coming year.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2020 Market Forecast

Employment
18,000 jobs



Metro **1.9%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **3.3%**
U.S. **1.7%**

Class A Vacancy
Down 10 bps



Metro **5.2%**
U.S. **5.3%**

Class A Rent
\$1,596 per month

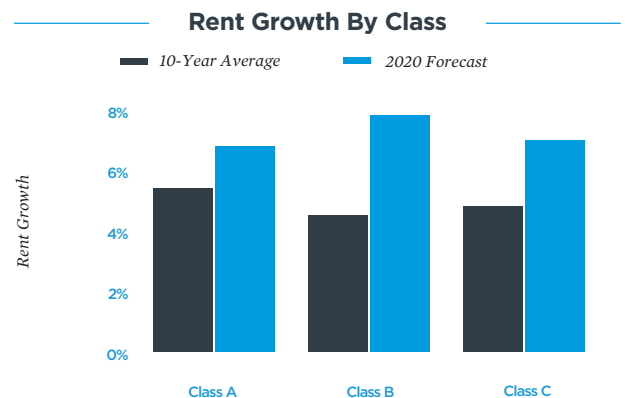
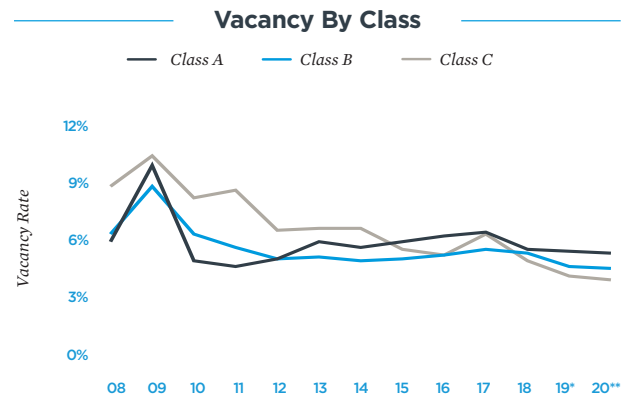


Metro **6.8%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **50**
Volume: **\$2.3 billion**



Jeffery J. Daniels

Senior Vice President

National Director IPA Multifamily

(212) 430-6127 | jdaniels@ipausa.com

* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics