



# What's Ahead for Housing

## Raleigh/Durham

Sharing market trends from a local perspective

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Hanley Wood, Metrostudy,  
and Meyers Research have  
rebranded to



Together, we're building  
the future of housing.

#### Monthly Surveys

Calls to proprietary subdivisions to gather sales and closings data.

Market research on builder websites and NewHomeSource.com for price changes and inventory availability.



#### Public Deed Data

Deed data via our provider generates closing prices.



#### 3rd Party Data

Bureau of Labor Statistics, Moody's Analytics, Neustar, US Bureau of Census, Zillow, and MLS



# Demographic Shift Was Already Happening



**Silent  
Generation**

>1945  
(75+)

**#4  
Mature  
Boomers**

1945-1954  
(65-74)

**#2  
Young  
Boomers**

1955-1964  
(56-64)

**#2  
Mature  
Gen X**

1965-1974  
(46-55)

**#1  
Tweeners**

1975-1984  
(36-45)

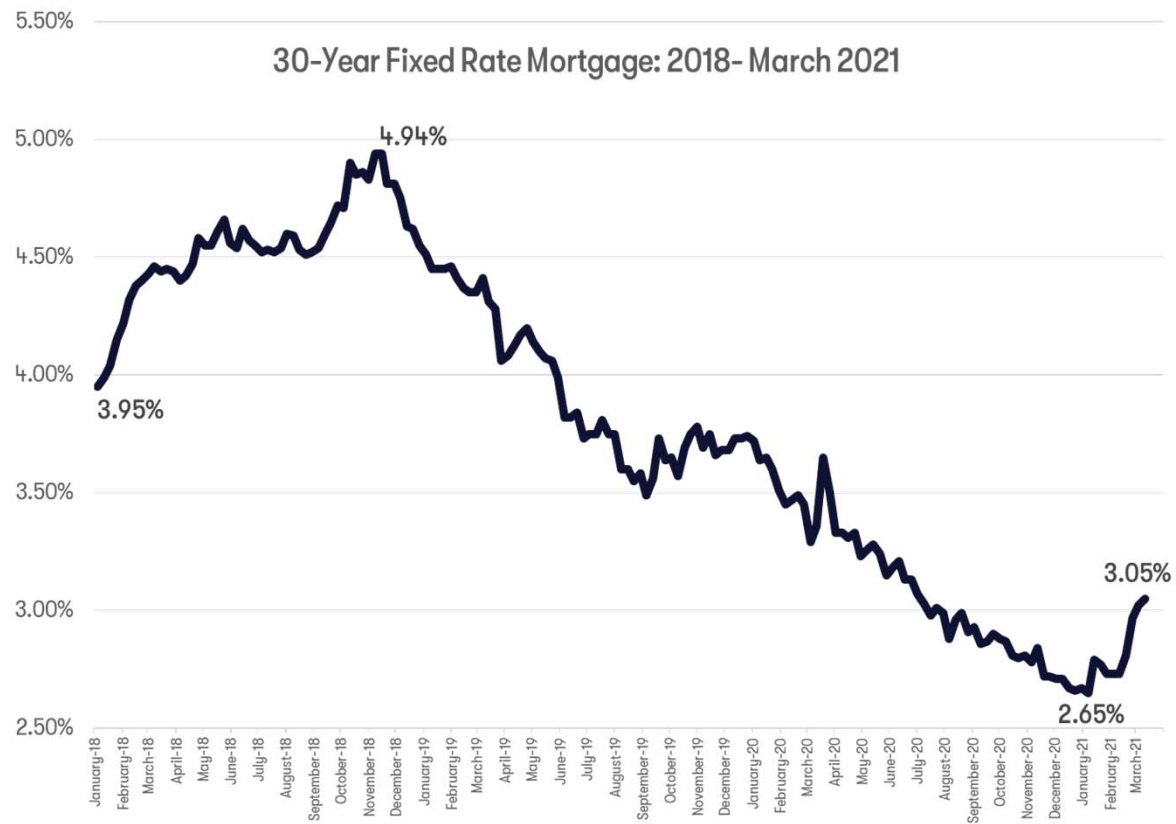
**#3  
Young  
Gen Y**


1985-1994  
(26-35)

**Centennials**

1995-2004  
(16-25)

# Interest rates dropped to historic lows





Pandemic was a  
game-changer for consumers





People who have saved money have been wanting to spend their money

Personal Savings Data



Source: Federal Reserve Bank of St. Louis

Real Personal Consumption



Source: BEA; Zonda

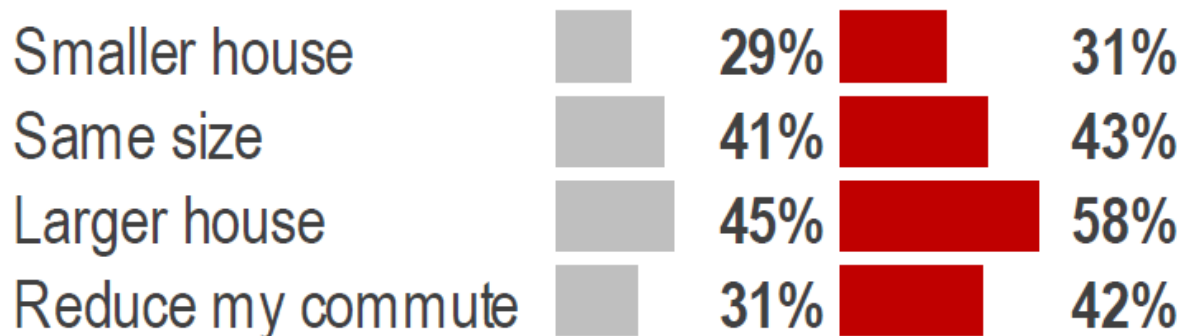


Goods (Bill, SAAR)



# More than half of today's consumers are looking for a larger home

## Size Versus Commute

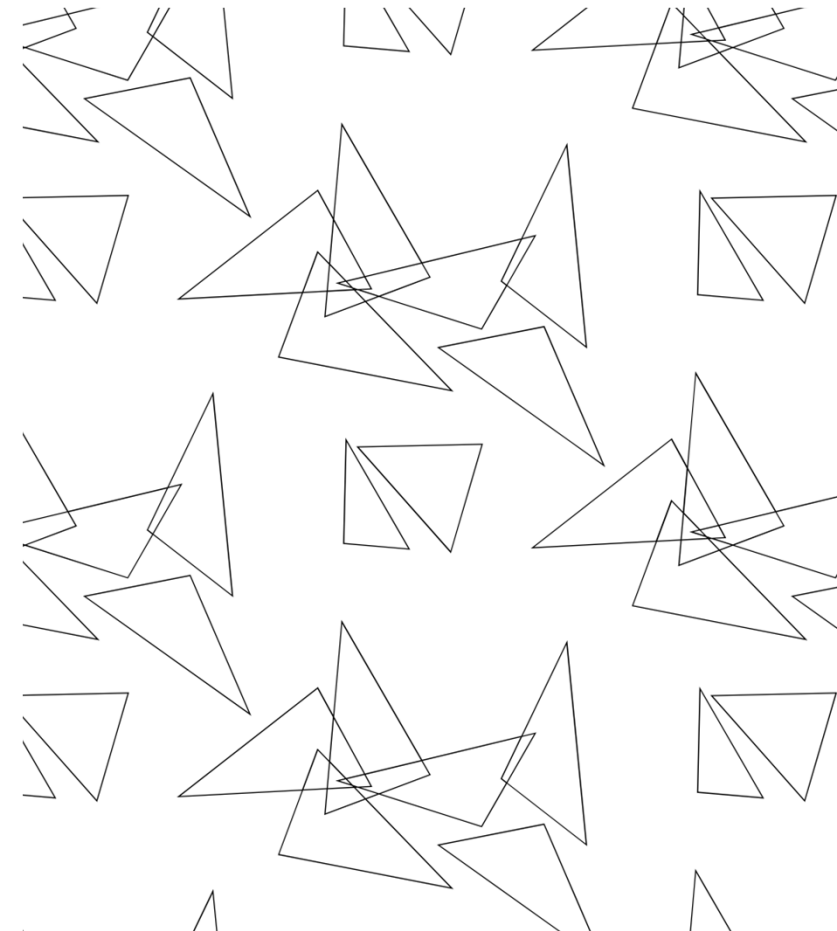
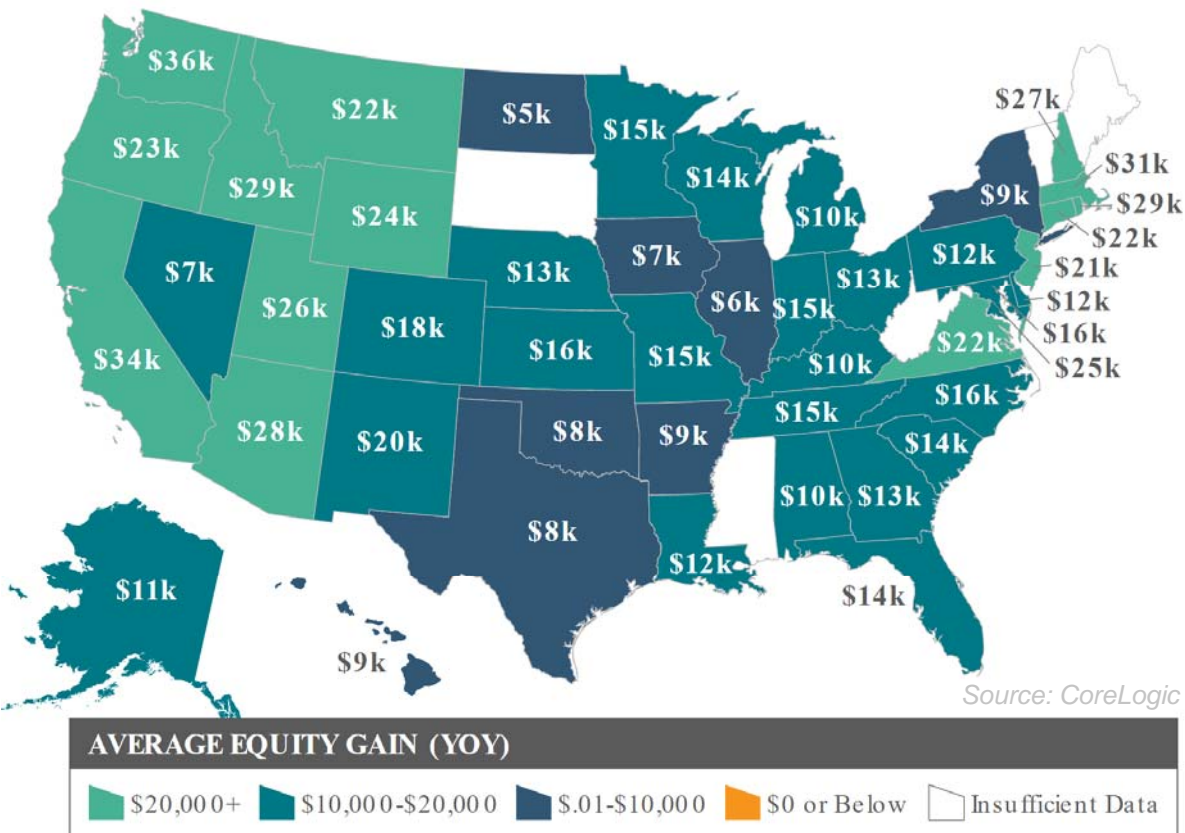


2020

2019

 Zonda

YOY equity gains? \$16,000 in North Carolina!





## Net Migration Leaders

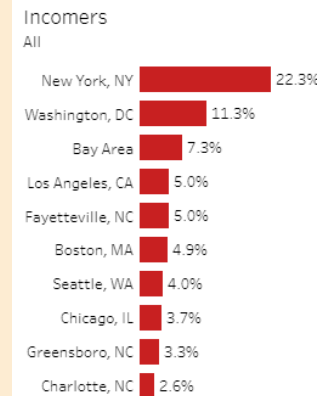


## Searchers from high-income markets favor the Triangle

Percentage of Raleigh, NC Redfin users searching from...

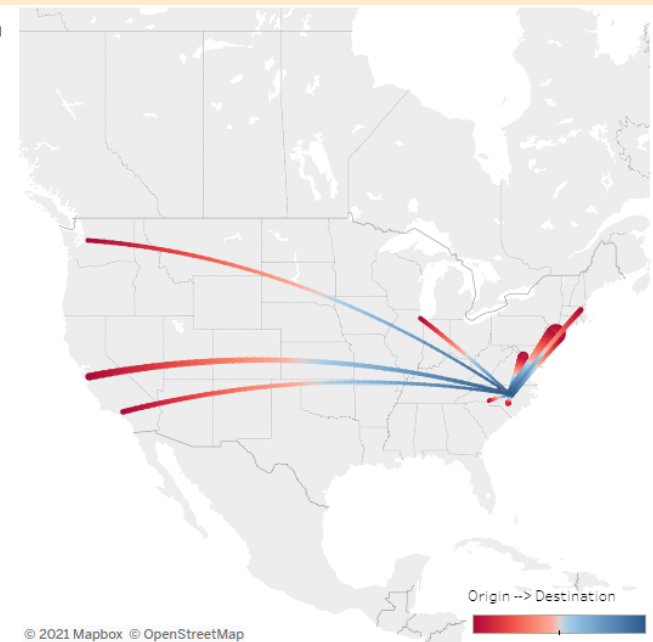


Origin as % of Destination



Source: Redfin user search data for Q1 2021

© 2021 Mapbox © OpenStreetMap





# Lots of shared reasons for buying a home

“Which of the following are most active for sales and traffic.  
May select all that apply”

Top Motivations For Buying A Home Today

Buyer	COVID related lifestyle change (including WFH)	Non-COVID lifestyle change	Great home equity	Stock market strength	Search for yield	Rising prices	FOMO	Low interest rates	Increased savings
First-time 61%	X	X				X	X	X	X
Move-up 76%	X	X	X	X		X	X	X	X
Luxury 15%	X		X	X		X	X	X	X
Retiree/55+ 11%	X	X	X	X		X	X	X	X
Investor 12%	X			X	X	X	X	X	X
Second home 9%	X		X	X	X	X	X	X	X
Relocation 27%	X	X	X			X	X	X	X
Foreign					X	X	X		X

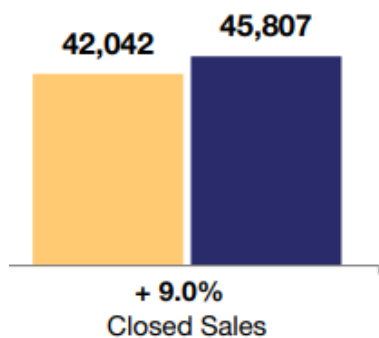
Source: Zonda



## Entire Triangle Region

### 2020 Year End

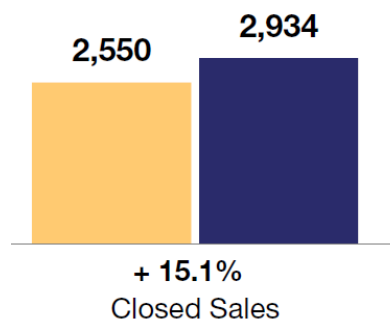
2019 2020



Median Sale Price: +6.2%  
Average Sale Price: +6.9%

### January 2021

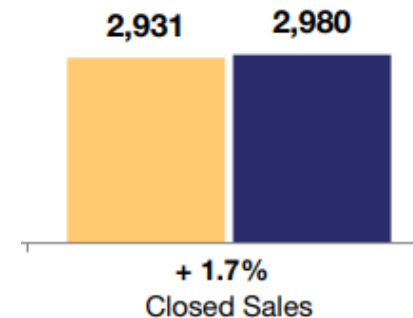
2020 2021



Median Sale Price: +7.4%  
Average Sale Price: +10.9%

### February 2021

2020 2021



Median Sale Price: +8.1%  
Average Sale Price: +10.4%

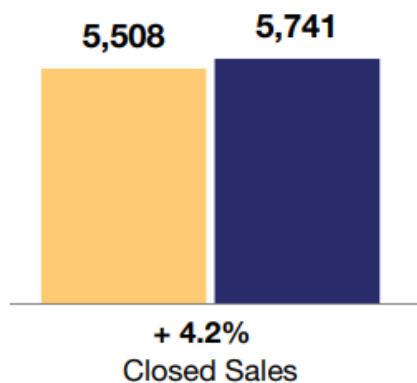




## Durham County

### 2020 Year End

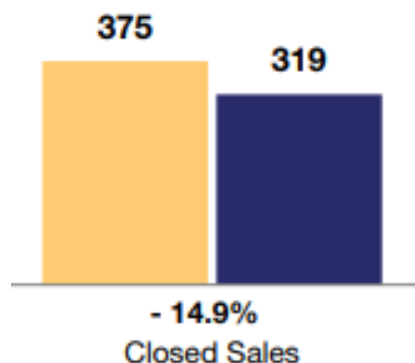
2019 2020



Median Sale Price: +6.7%  
Average Sale Price: +6.8%

### January 2021

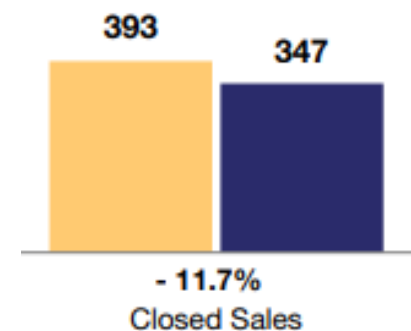
2020 2021



Median Sale Price: +4.5%  
Average Sale Price: +7.5%

### February 2021

2020 2021



Median Sale Price: +4.2%  
Average Sale Price: +6.8%





# New Home Pending Sales

Sales in sixteen of twenty select markets rose year-over-year, led by Jacksonville, Austin, and Raleigh

📍 Jacksonville, FL

YOY

**+45.8%**

📍 Austin, TX

YOY

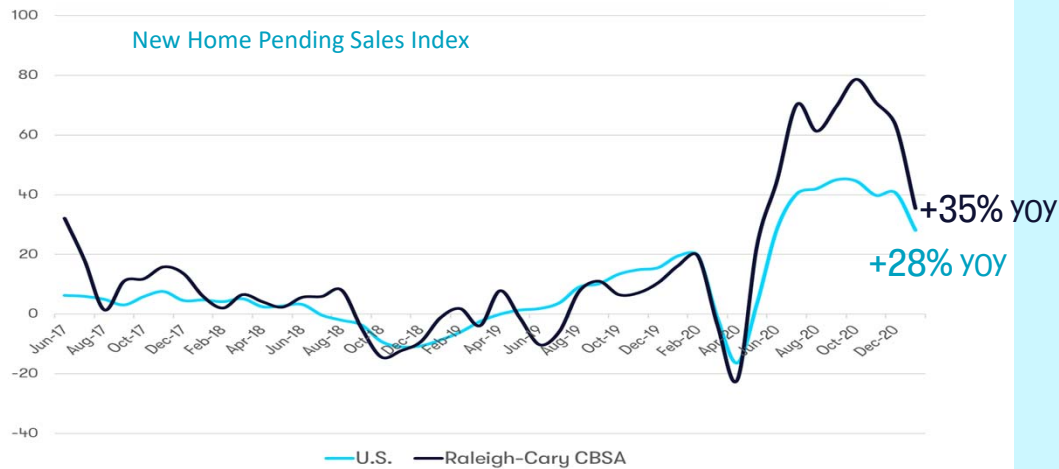
**+42.3%**

📍 Raleigh, NC

YOY

**+35.4%**

New Home Pending Sales Index



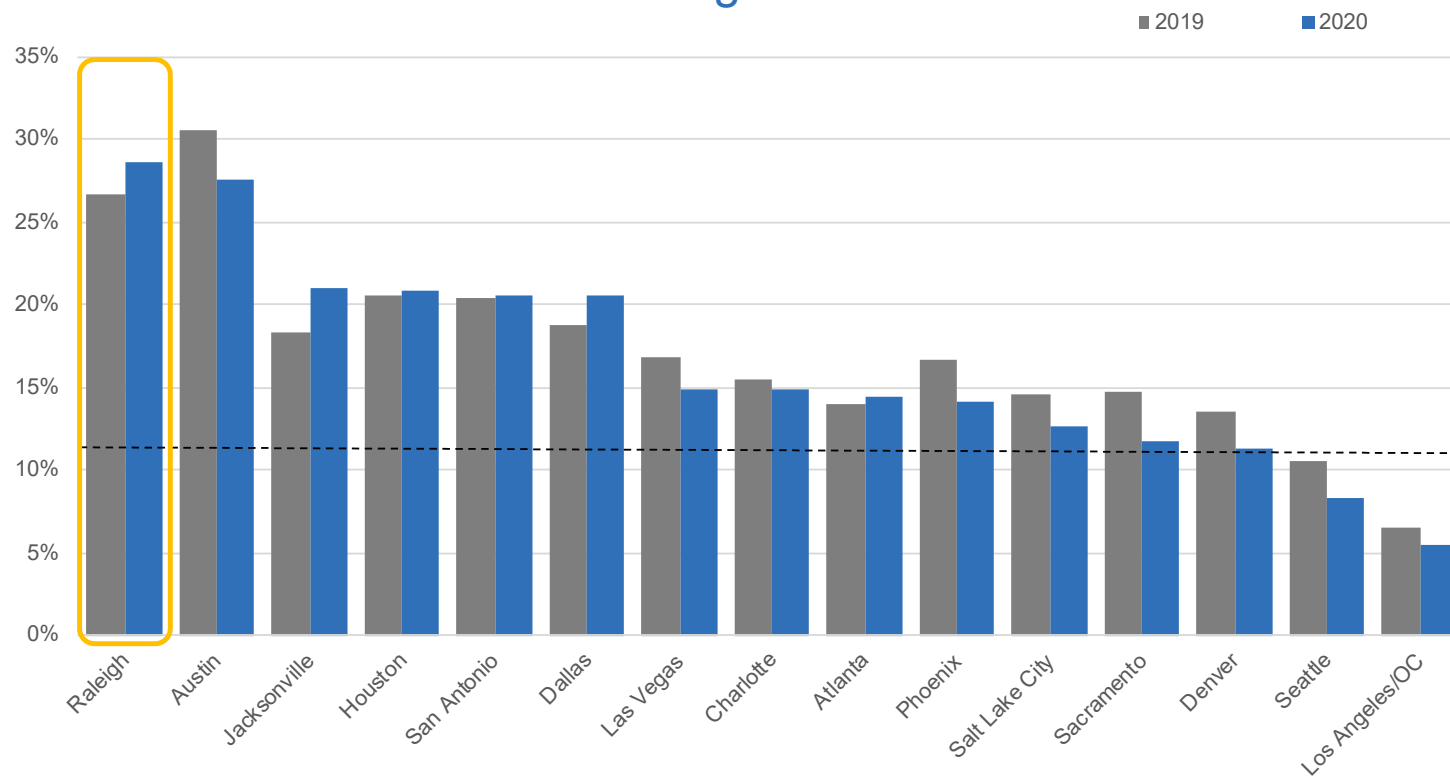
The spring selling season waited for no one this year as many people were still working from home and reevaluating their living situation, mortgage rates were still seriously low, and available homes for sale were still limited. The demand environment is about as good as it gets in the housing market.



**Ali Wolf -**  
Chief Economist

# New Home Market Share by Major Metro

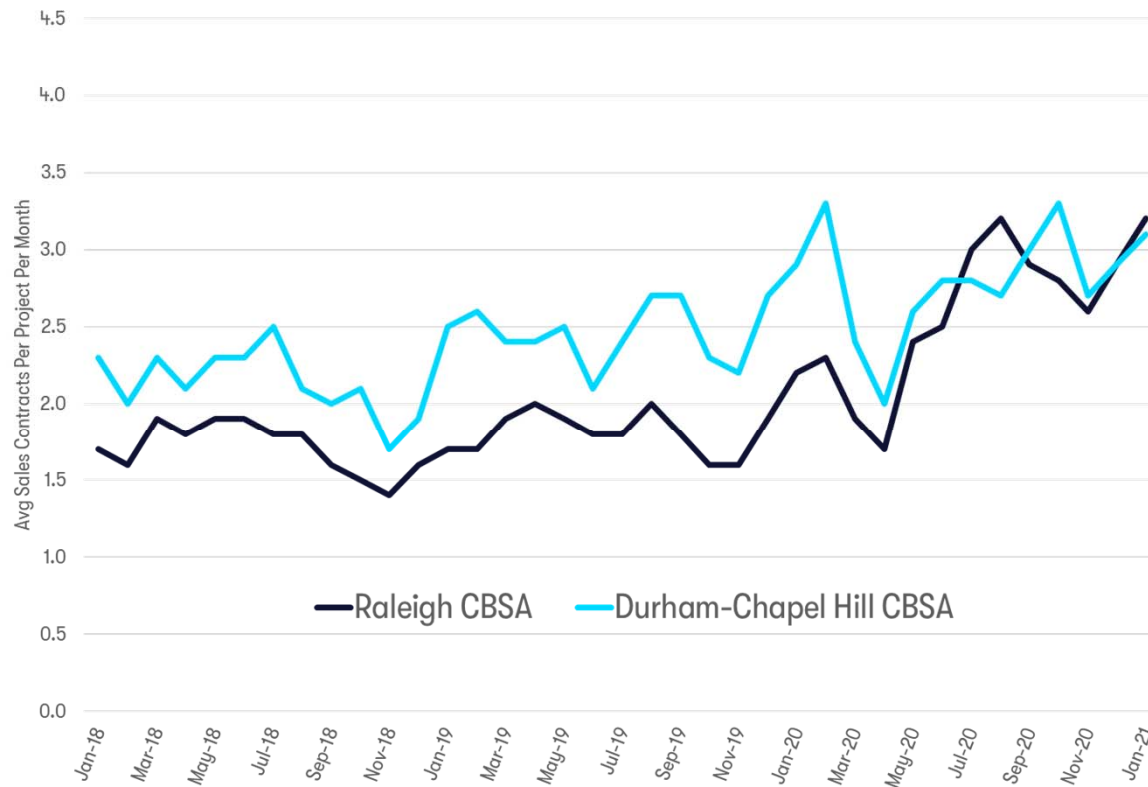
## New Home Share of Total Closings



Source: Zonda



# Average Monthly Contract Sales per New Home Subdivision



Historical Sales Pace Avg: 1.5-2 sales/mo

Avg. New Home Sales Rate

**Raleigh: 3.4/project**

**Durham: 3.5/project**

**National: 2.9/project**

## Top Selling New Neighborhoods in Durham right now

- + Alexander Place/TH, Pulte Homes, 12/mo
- + Ellis Crossing Townes, MI Homes, 8.7/mo
- + Page Square/TH, Pulte Homes, 8.7/mo
- + Huntington Valley/SF, True Homes, 8/mo
- + Creekside at Bethpage/SF, Taylor Morrison, 6/mo

But, where have all the houses gone?

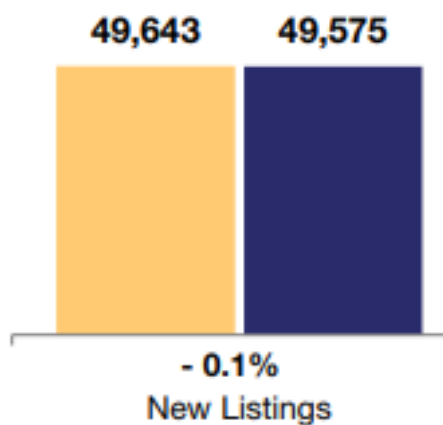




## Entire Triangle Region

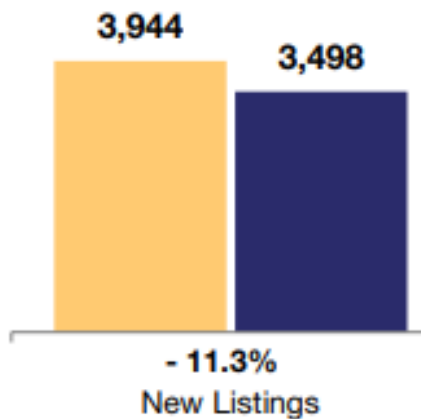
2020 2021

### 2020 Year End



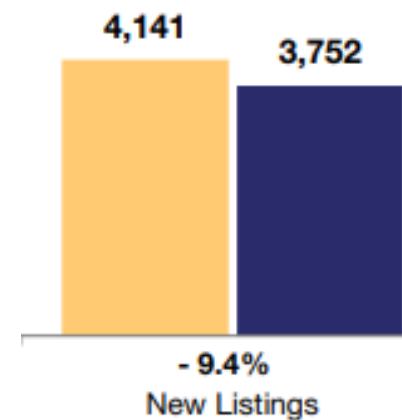
Inventory of Homes for Sale: -54%  
0.9 months of supply  
20 avg. days on market (-49% YoY)

### January 2021



Inventory of Homes for Sale: -60%  
0.7 months of supply  
23 avg. days on market (-45% YoY)

### February 2021



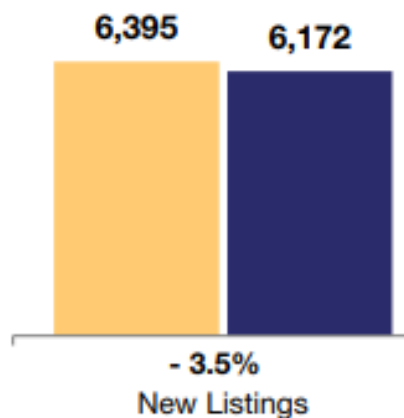
Inventory of Homes for Sale: -63%  
0.7 months of supply (21 days!)  
21 avg. days on market (-46% YoY)



## Durham County

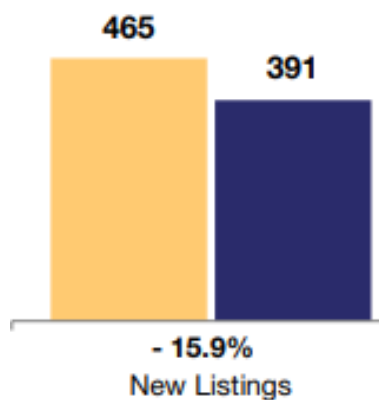
2020 2021

### 2020 Year End



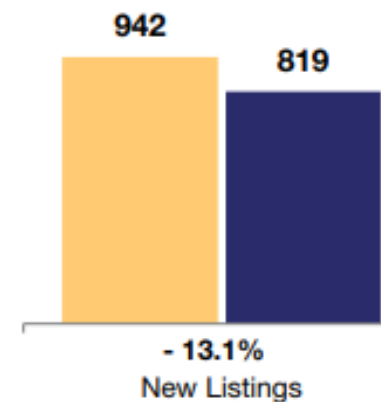
Inventory of Homes for Sale: -45%  
0.9 months of supply  
18 avg. days on market (-42% YoY)

### January 2021



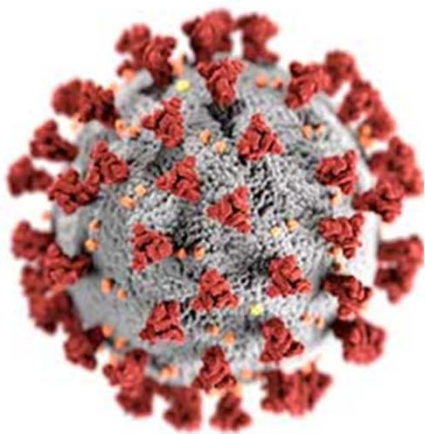
Inventory of Homes for Sale: -55%  
0.7 months of supply  
22 avg. days on market (-39% YoY)

### February 2021



Inventory of Homes for Sale: -49%  
0.7 months of supply  
18 avg. days on market (-49% YoY)

# Lots of reasons why people don't want to move or sell their homes right now



## **COVID-19 Concerns**

- > Fear of exposure with Open House
- > Fear of risks at assisted living or nursing home facilities for family members.



## **Financial Concerns**

- > Uncertainty about work situation.
- > Foreclosure moratoriums has delayed evictions and court hearings that would have happened with or without the COVID disruptions.



## **Don't want to sell**

- > Just refinanced home at lower rate.
- > Would rather keep it as investment property.

# What will fix this housing bottleneck?



Investors can profit more by  
selling vs renting

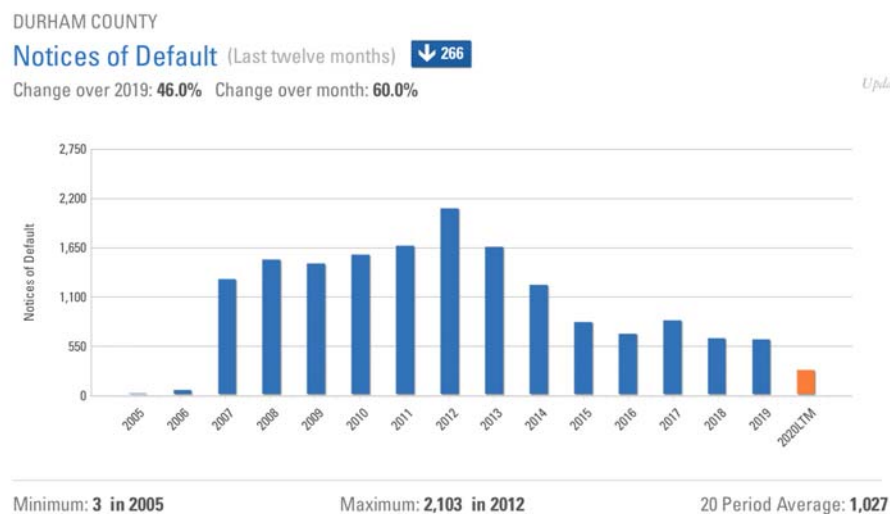


Seller confidence improves





# Forbearances will eventually end



Source: Public Record Data; Zonda by Meyers Research



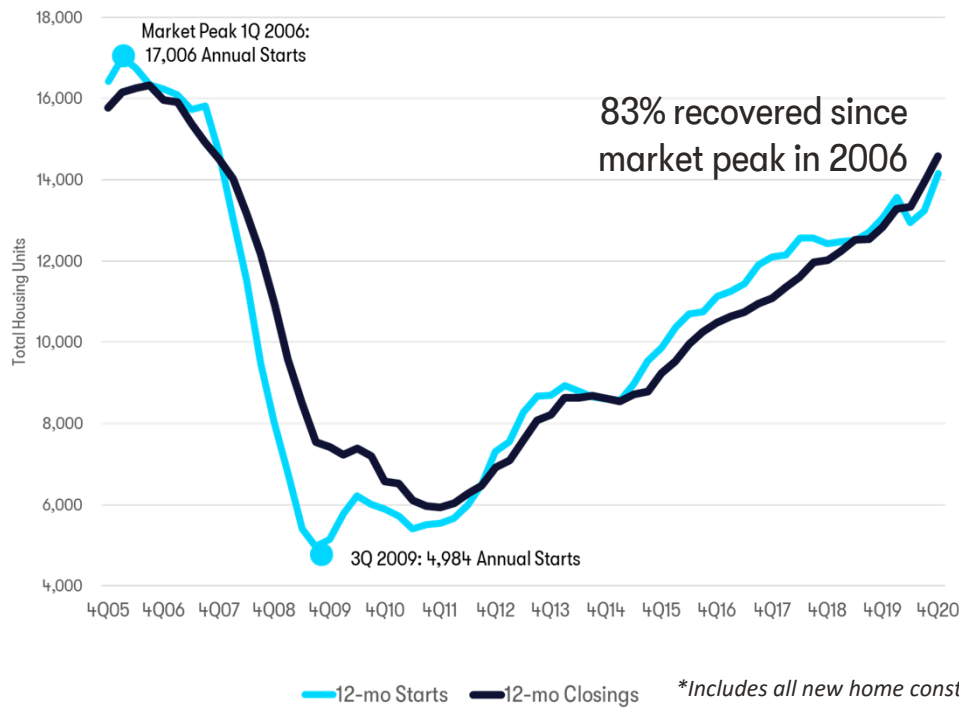
Source: Public Record Data; Zonda by Meyers Research

We could  
build more houses, but ...



# We're not building as many houses as we used to

## Raleigh/Durham



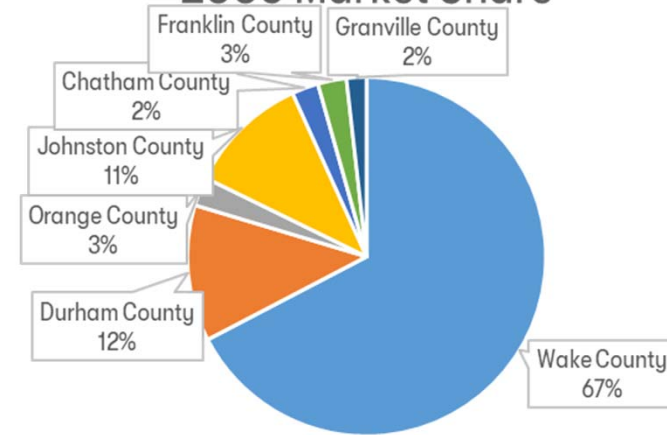
*\*Includes all new home construction starts in subdivisions of 5 lots or more in 8-county Raleigh/Durham region*

## New Housing Starts 2005 vs 2020

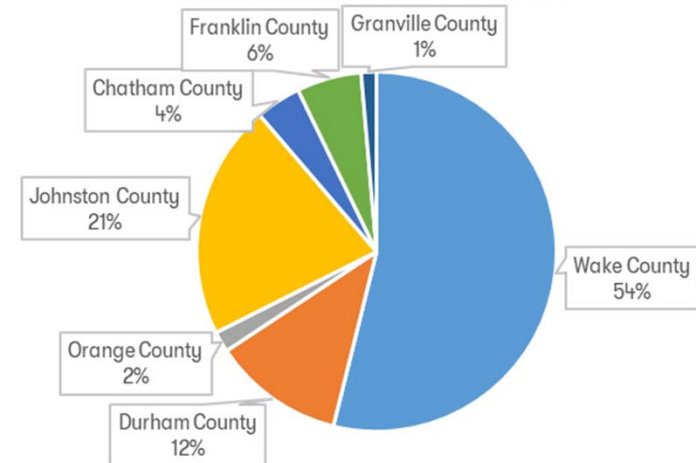
Wake **-31%**  
Durham **-17%**  
Orange **-38%**

Johnston **+66%**  
Franklin **+94%**  
Chatham **+46%**

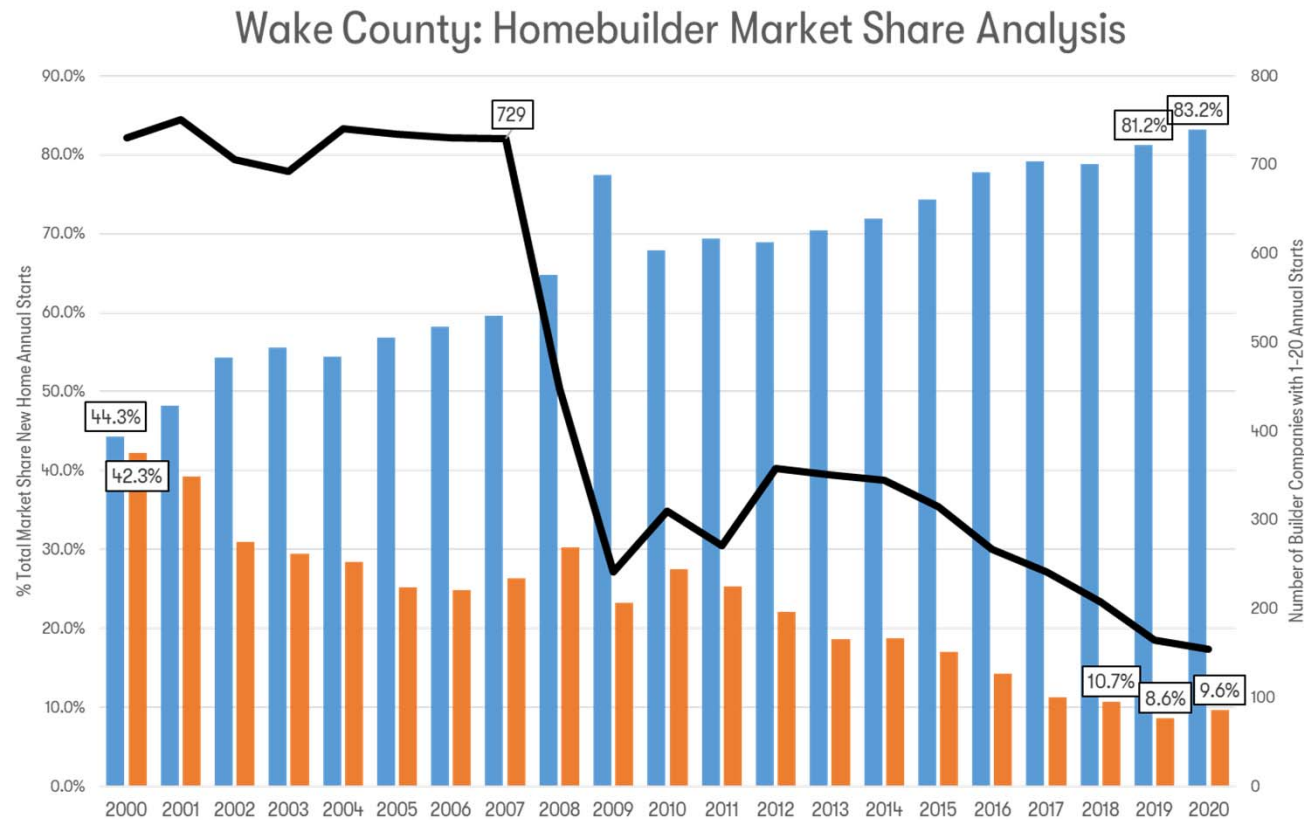
## 2005 Market Share



## 2020 Market Share



# Small Builder Competition Is Thinning Out

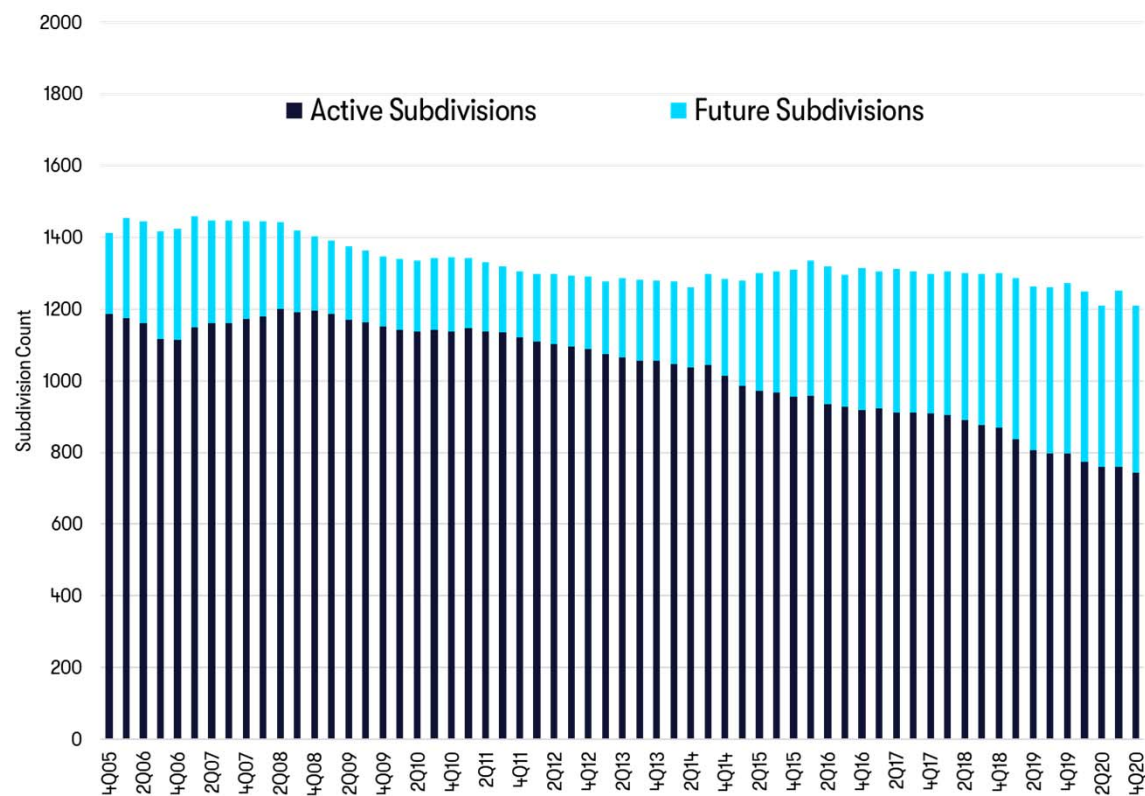






# Fewer Active & Coming Soon Subdivisions

Year of the Gap Out

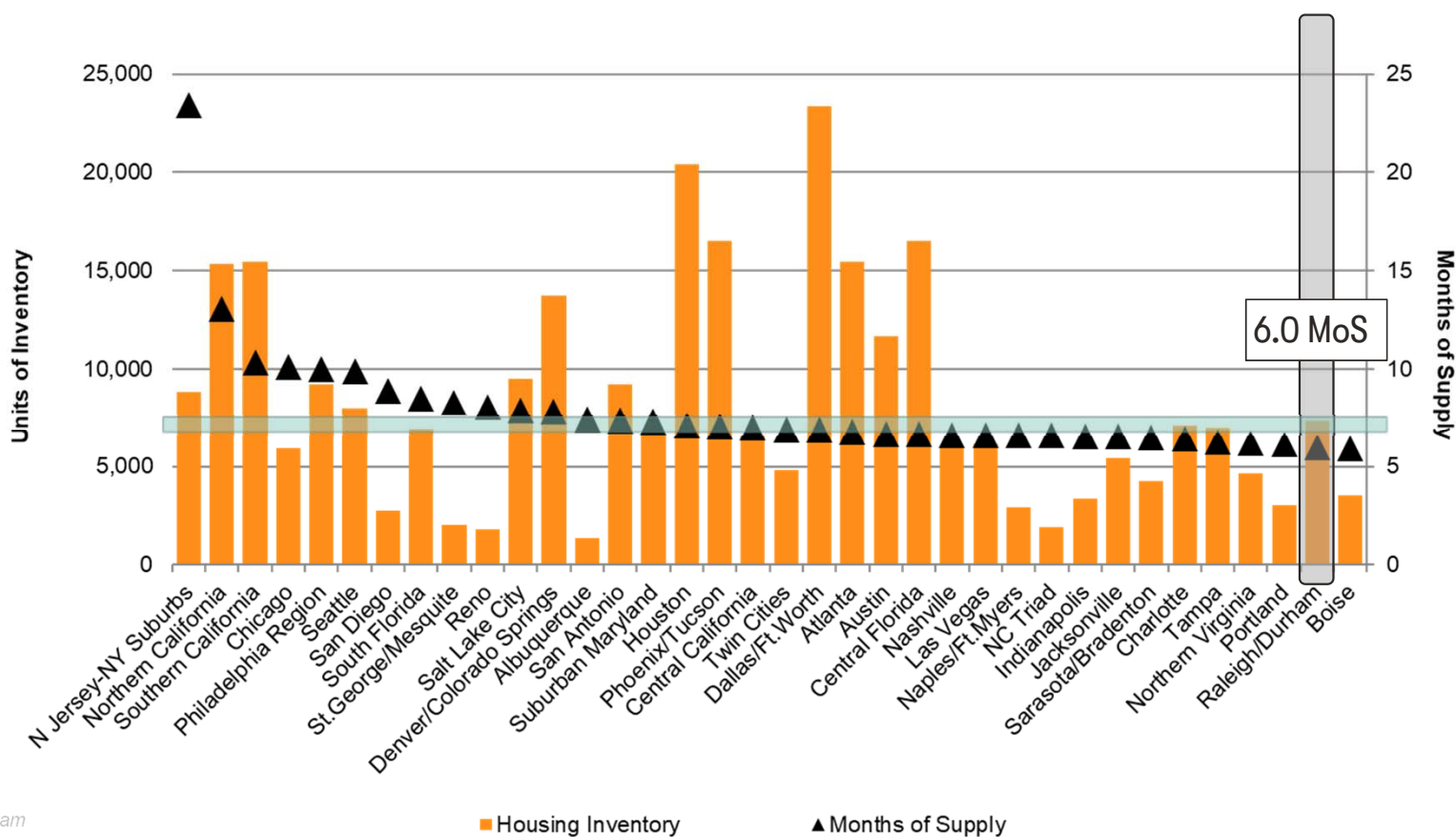


Project Count YOY

Metro	Last Year	Current	Percent Change
Charlotte	437	394	-10%
Indianapolis	294	257	-13%
Raleigh	372	319	-14%
Atlanta	960	822	-14%
Orlando	416	349	-16%
Los Angeles/OC	261	215	-18%
Jacksonville	347	267	-23%
Denver	365	280	-23%
Nashville	391	299	-24%
Washington, DC	503	360	-28%

Source: Zonda

# RDU ranks near bottom in construction inventory supply



# Household Forecast

## Durham-Chapel Hill, NC CBSA

(Durham County, Orange County, Chatham County, Person County)

Population

650,218 1.2%

Household Income

\$64,773 3.6%

Households

257,882 0.8%

Housing Costs as % of Income

32.3% ↑

### HOUSEHOLD GROWTH

2021 Household Growth

3,488 1.4%

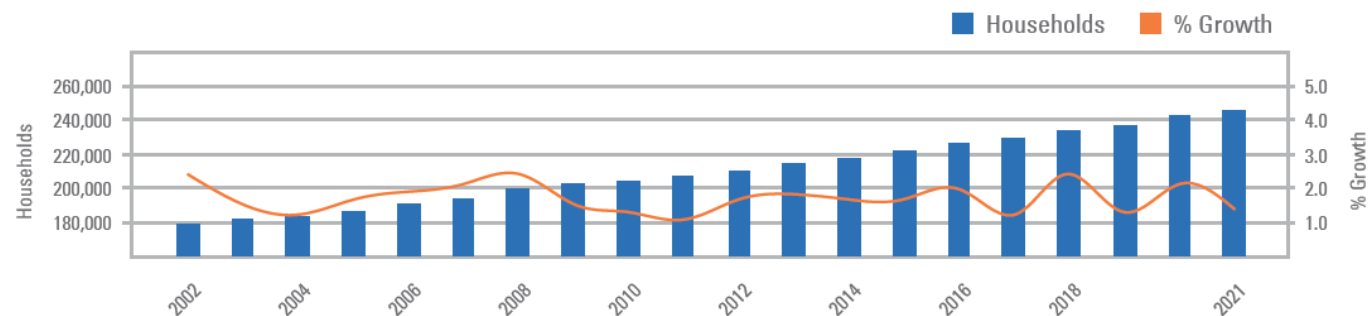
2026 Forecast

271,503 2.0%

What the 2026

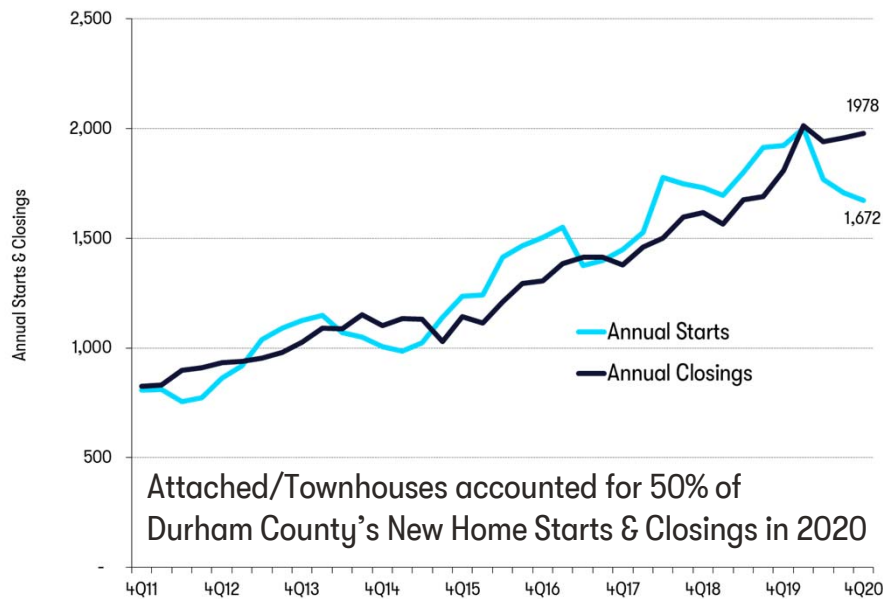
Forecast means:

In the next 5 years, Durham-Chapel Hill will add 13,621 more households, or 2,724 HH/year





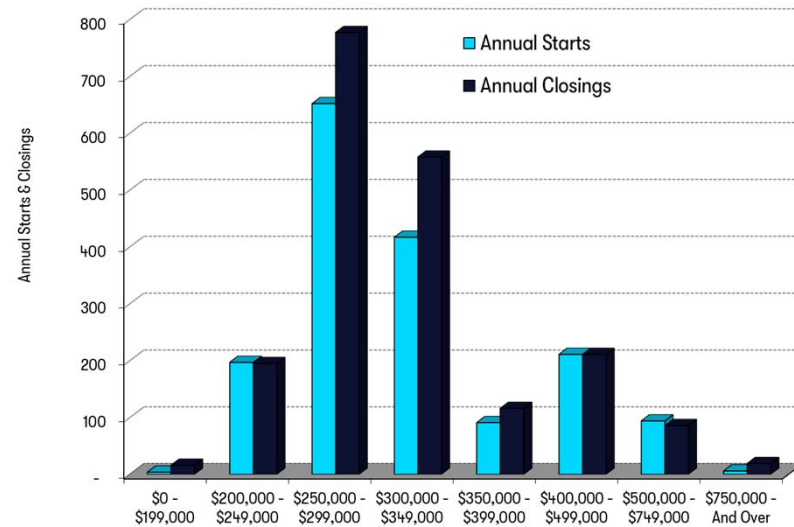
# Durham County



Attached/Townhouses accounted for 50% of Durham County's New Home Starts & Closings in 2020

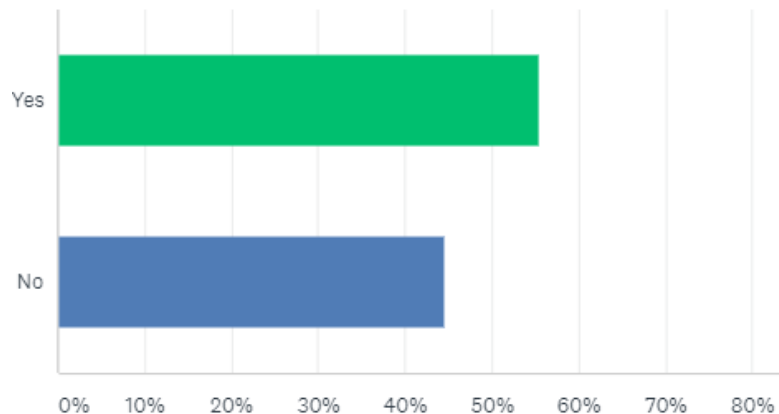
Annual Starts **-13%**  
Annual Closings **+9%**

Construction Inventory: 4.6 MoS  
Finished Vacant: 1.2 MoS  
Vacant Developed Lots: 11.3 MoS



**BUILDER SURVEY:** Are you currently experiencing any **GOVERNMENT SERVICE** disruptions (e.g., permits, inspections, obtaining CO's, planning, etc.) that could potentially impact your 2021 sales plan?

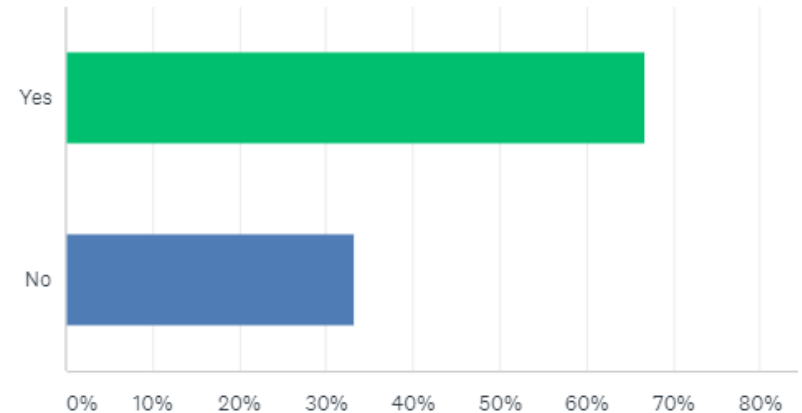
**National**



**Comments:**

- Some. Municipalities are doing out sourcing for approvals to try and catch up.
- City permitting and inspections are behind; storm only made it worse
- 12 week permit turnaround time in Forney, Texas
- Horrible now in for 6 permits since second week January no response
- San Marcos accepting only 5 permits per builder per week- regardless of how many projects are active.
- Even if the answer was no **CURRENT** government service disruptions, I would be assuming that there will be more during every homes' construction cycle. The counties just can't get out of their own way.

**Raleigh/Durham**

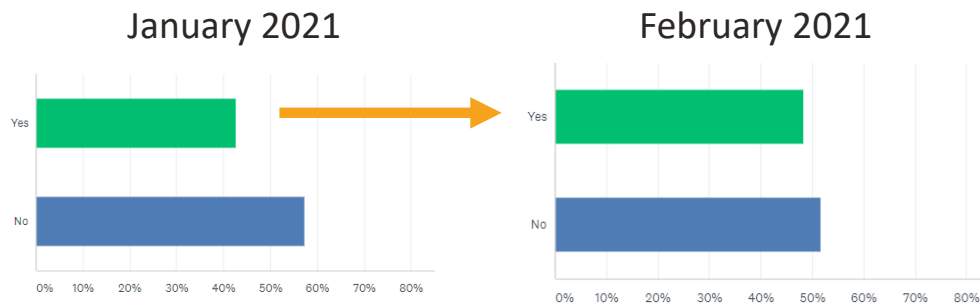


**Comments:**

- Everything within the process is moving slower due to such high volume.
- Plat delays
- Yes - Permitting offices are backed up.
- Slow permits
- Longer response times
- Planning dept's very slow.
- Septic permits

## Builder Survey: Are you currently experiencing any LABOR disruptions that could potentially impact your 2021 sales plan?

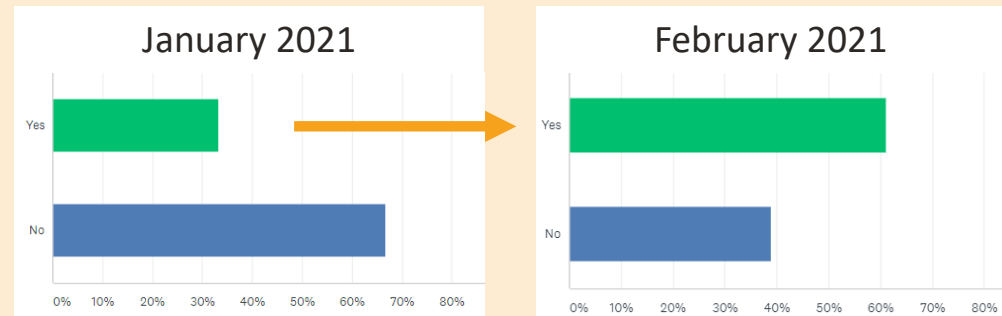
### National



#### Comments:

- There aren't enough sub-contractors to meet the demand.
- Offsite and onsite
- Volume related.
- Foundation, exteriors, framing
- strictly volume related and holding trades to high standards while they try to blow through jobs
- Framer just brought up a 7% increase
- Can't get enough framing crews to keep up with sales pace.
- But that may change as damage from freezing becomes known.
- All labor is short - need more bodies and skill
- That being said, i feel like it's coming. Once the supply side opens back up, we will see the govern on the market switch to labor

### Raleigh/Durham

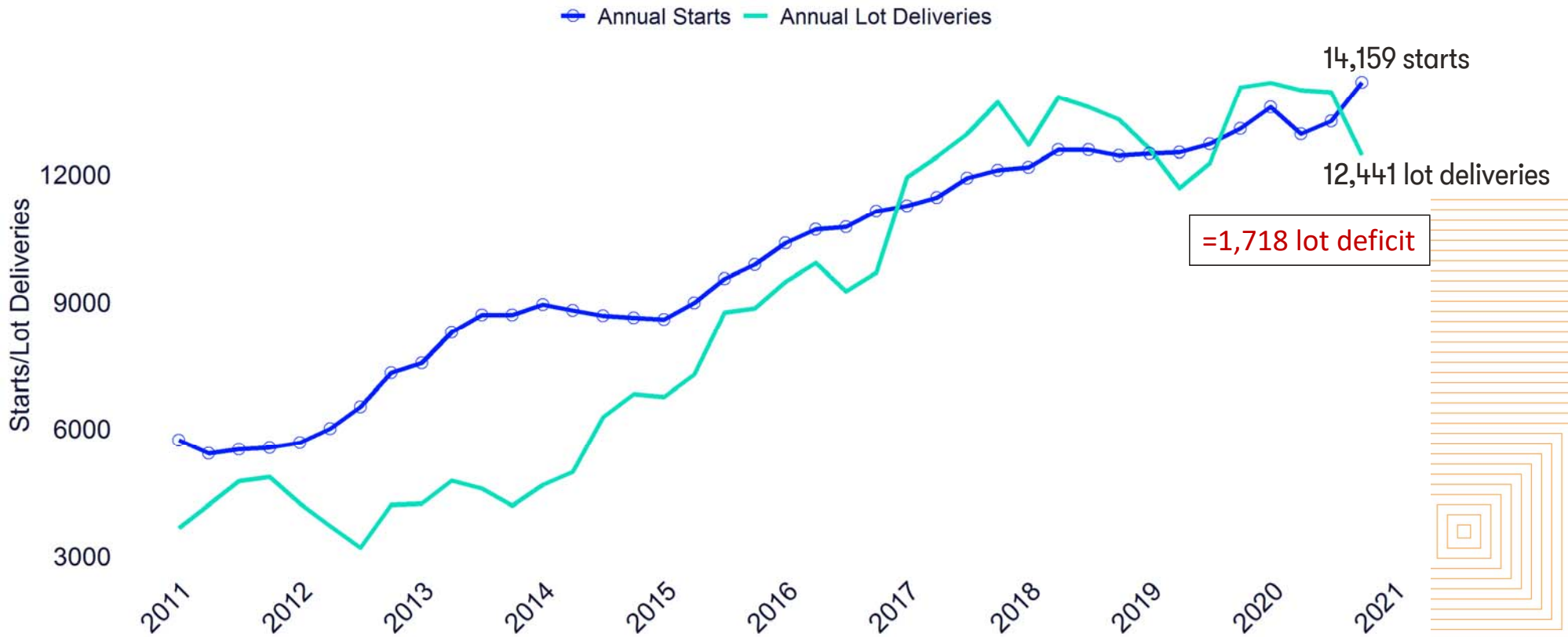


#### Comments:

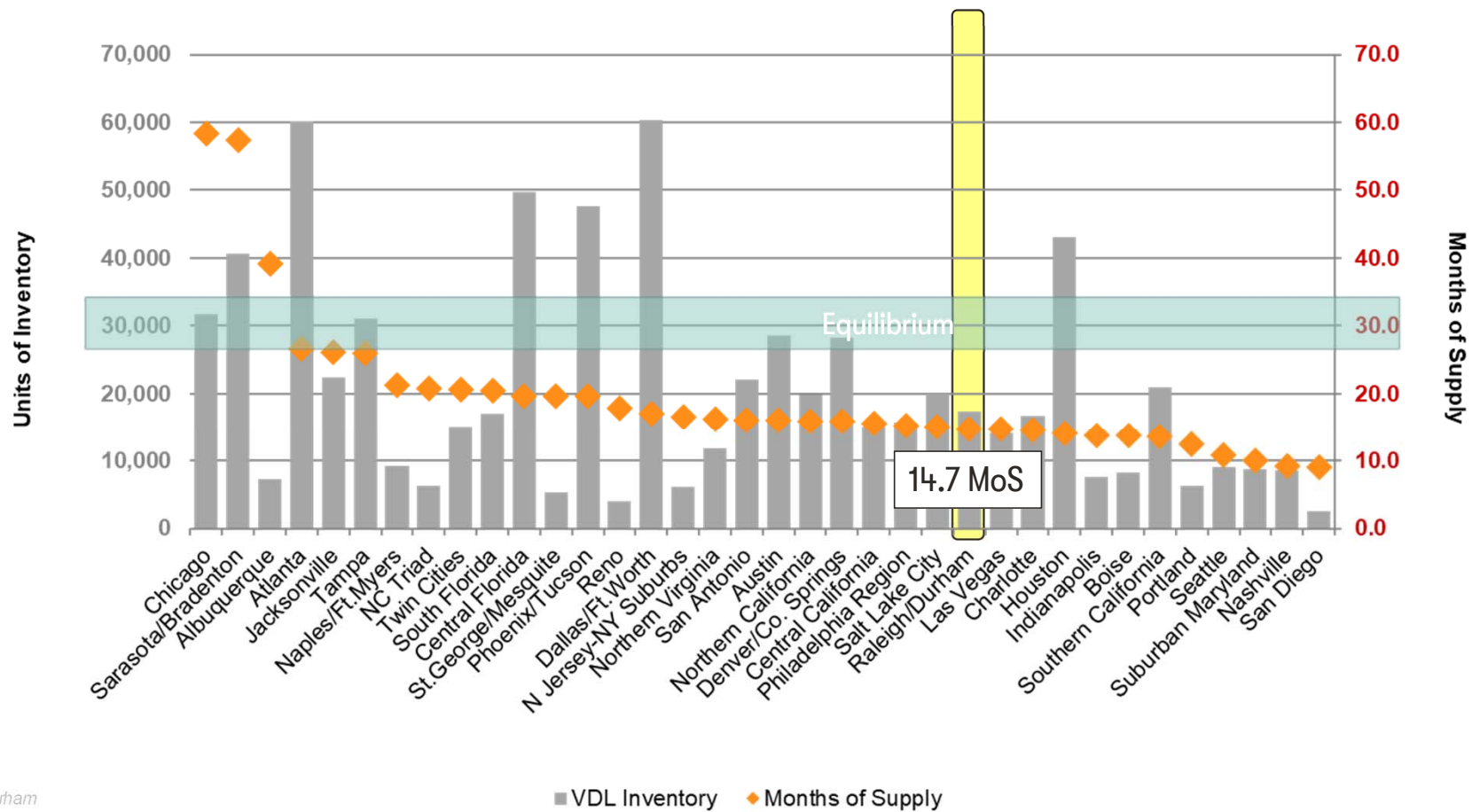
- Plumbing delays are the biggest issue here.
- Site development and lot deliveries
- Framing and MEP labor
- Not as much related to coronavirus, but still here and there.
- Covid occasionally takes out crews - delays houses.
- Seem to be COVID related



# Starts vs Lot Deliveries

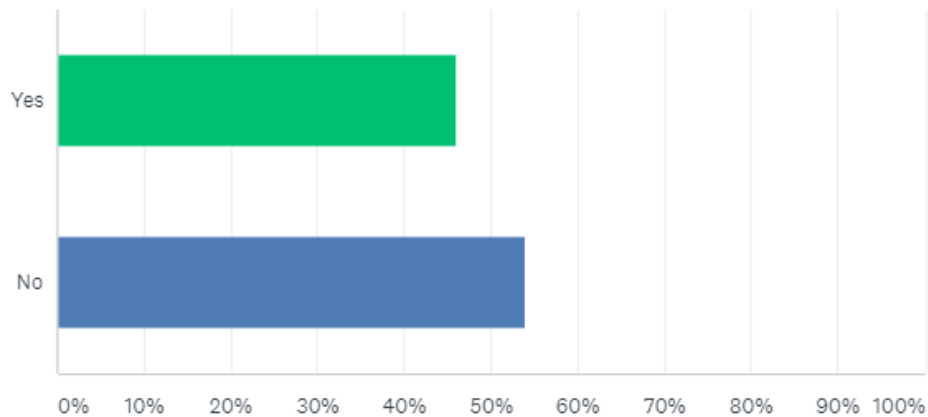


# Lack of adequate lot supply is a drag on the market nationally



# Are you currently experiencing any LAND disruptions that could potentially impact your 2021 sales plan?

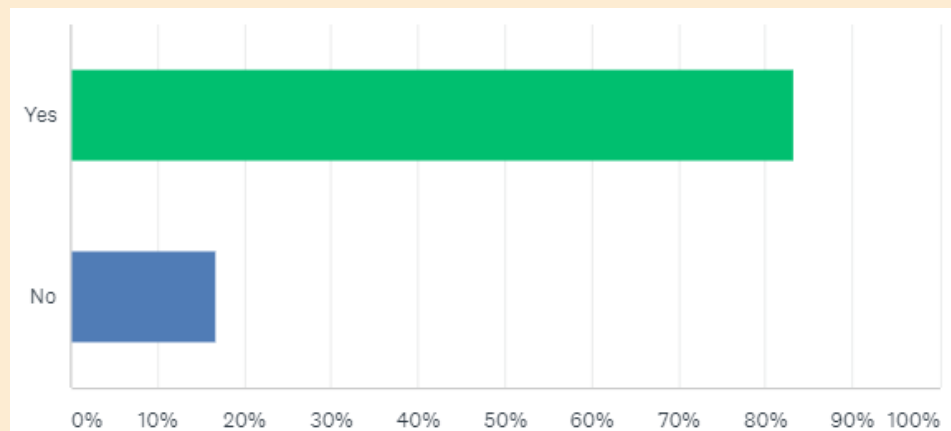
National



Comments:

- Offsite problems have lost us weeks in site deliverables.
- Tough market to buy lots in. Bidding wars on anything decent.
- The short supply of lots will prevent us from building our target volume this year.
- Prices are going crazy
- Lack of affordable single family lots
- Sellers having the upper hand and re negotiating
- Developers are struggling to catch up with the govt disruptions, and voluntary pause from Q2 2020
- Developers are increasingly late to the party. We will get hurt by developers being unable to perform and deliver lots on time.
- Land market is in a frenzy
- Lots very expensive, 2+ years to market on new land

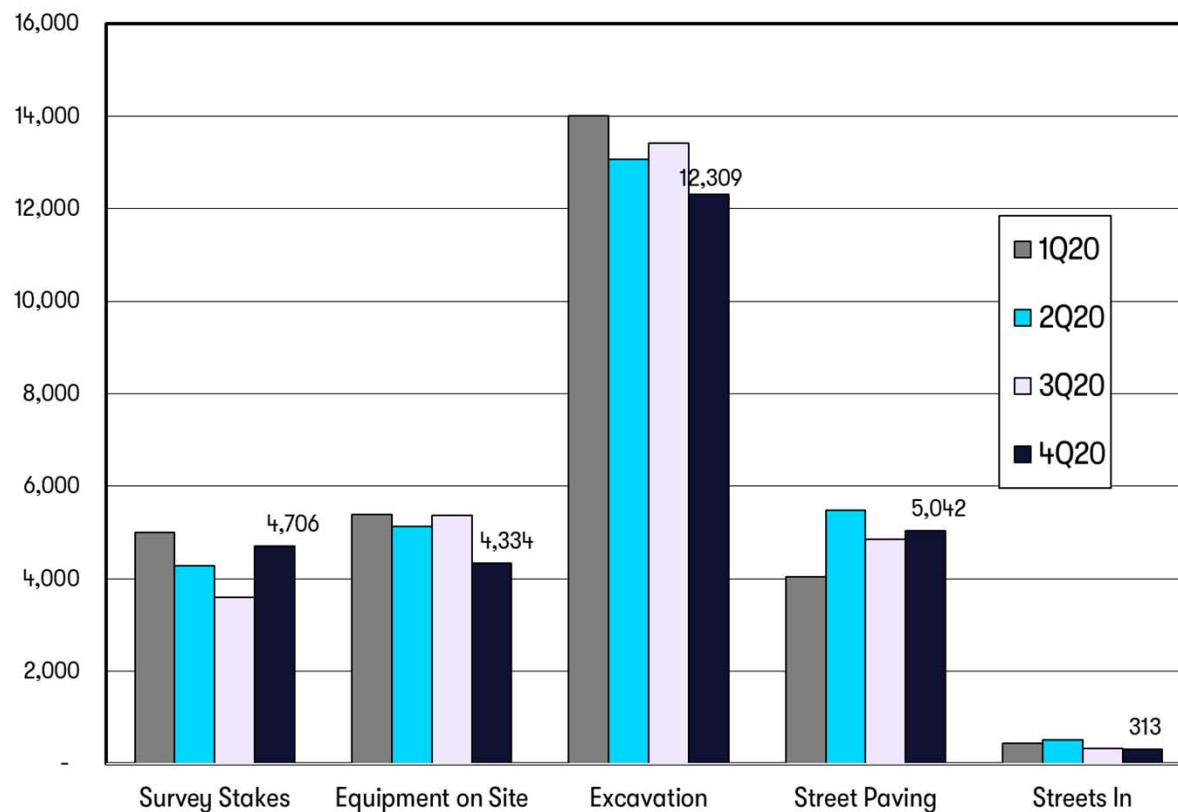
Raleigh/Durham



Comments:

- Cannot find reasonably priced land
- Plats longer to record
- Weather is causing some major delays for site development
- Wet weather delays
- What land?
- Permitting is slow.
- Entitlement, development and platting delays
- Weather is having a major impact on the development process
- CD process is slow. Weather has hurt
- Rain
- We have a project in FQV that we have tried to bond over final top coat due to weather delays. So far, no luck.

# Looking Forward: Future Lot Inventory



Future Inventory:  
70,175 lots  
-1% YoY

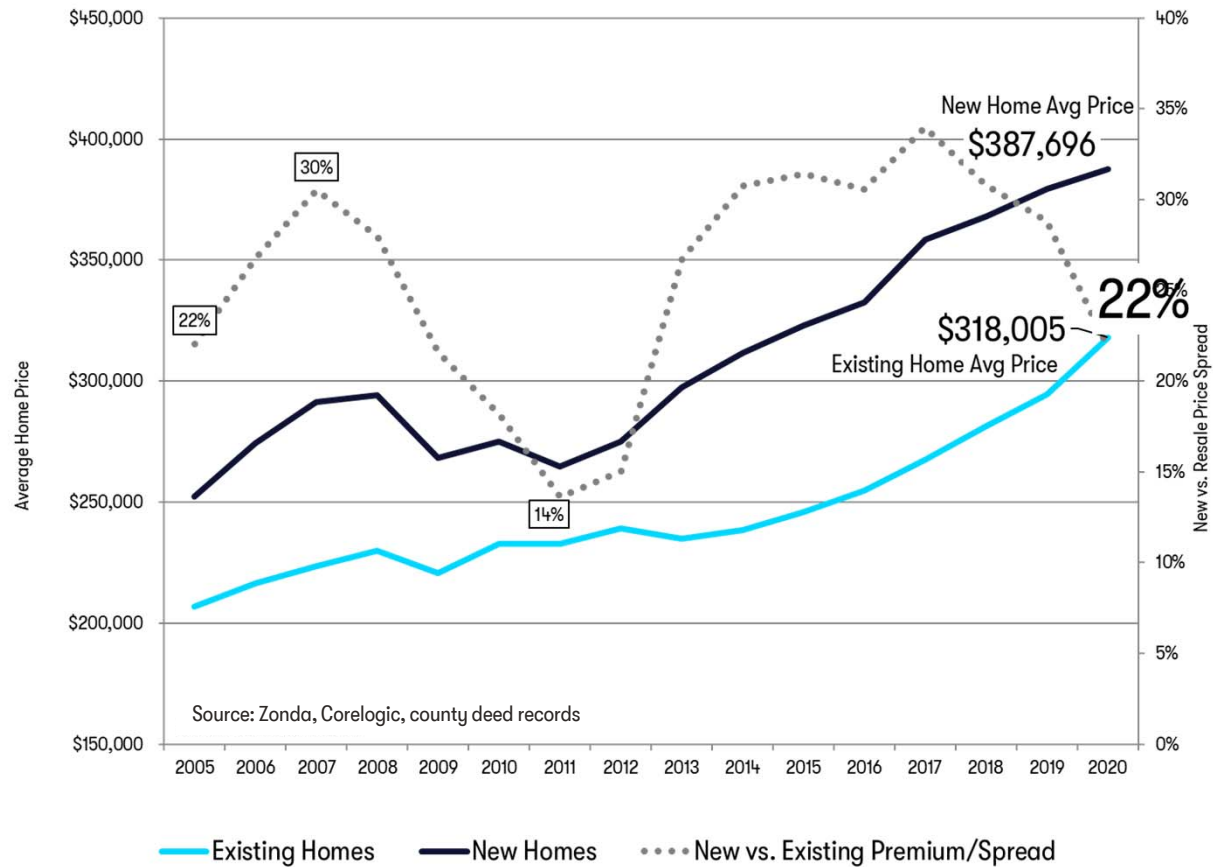
62% - Vacant Land  
7% - Survey Stakes  
6% - Equipment on Site

18% - Excavation  
7% - Streets Paving/Streets In

17,664 lots under  
development for 2021

# Effect on home prices

# New vs. Existing Home Sale Prices





# Prices escalate as builders burn through inventory

## Durham-Chapel Hill CBSA

Avg. New Home List Price

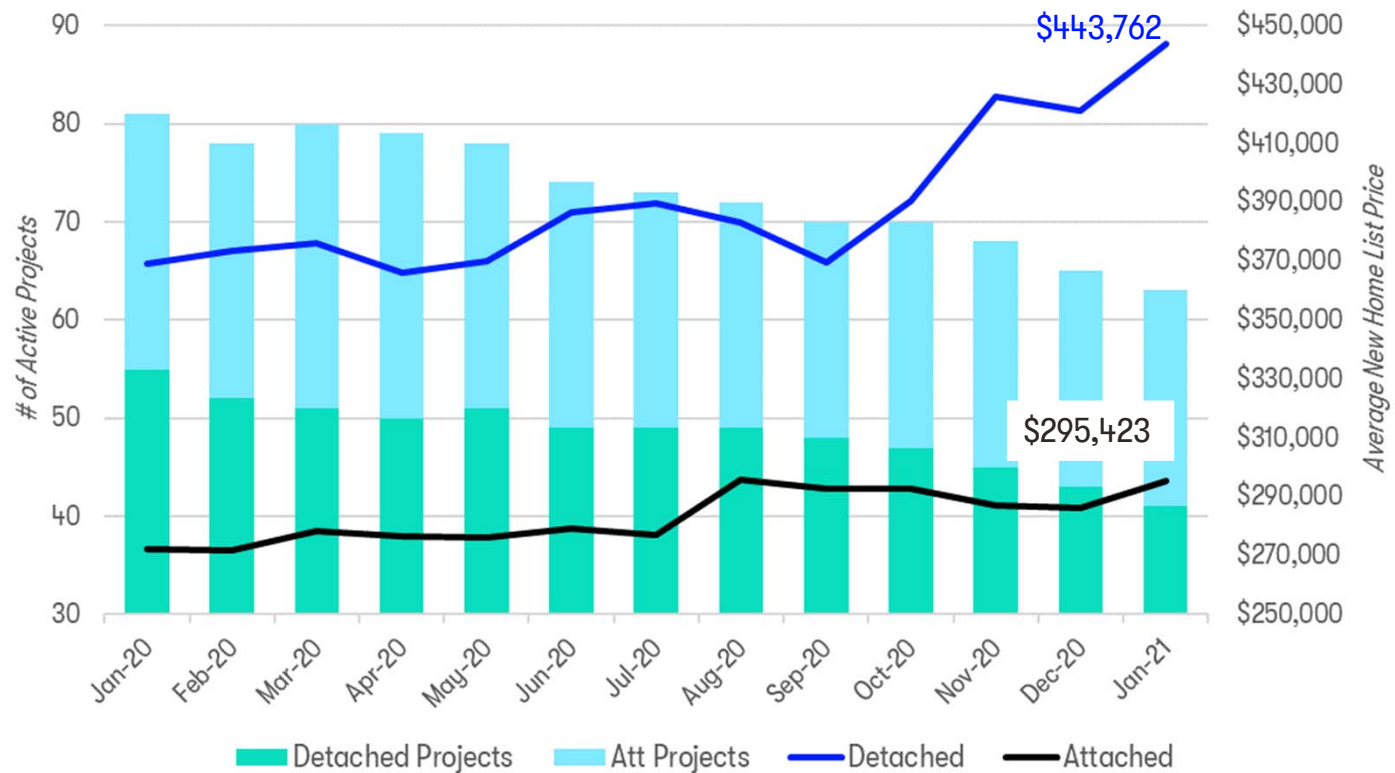
Detached: **+21%**

Attached: **+9%**

# Active Projects:

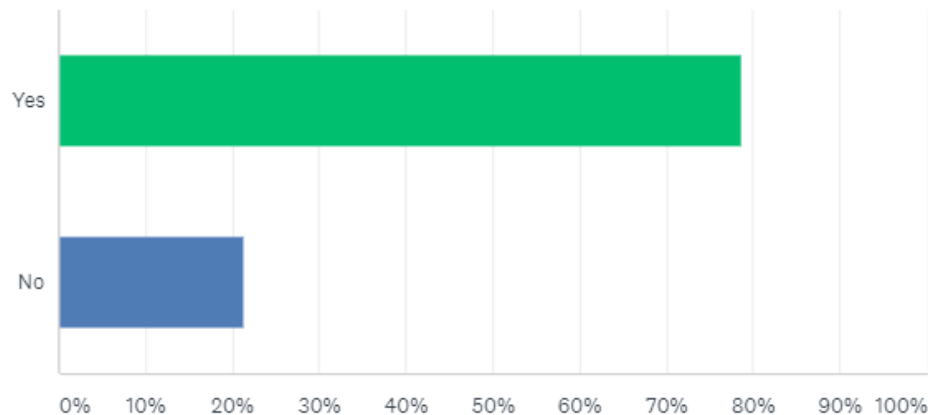
Detached: **-25%**

Attached: **-15%**



# Builder Survey: Are you currently experiencing any SUPPLY disruptions that could potentially impact your 2021 sales plan?

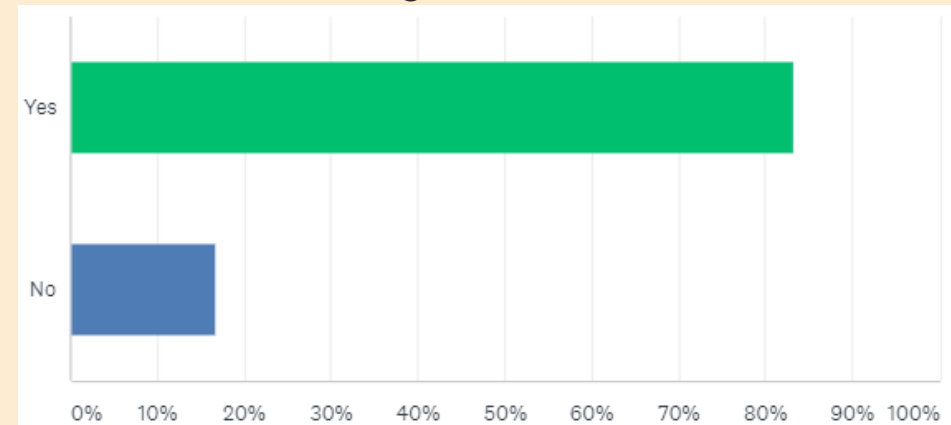
National



Comments:

- It is whack a mole, one thing this month another thing the next
- Appliances, some concrete but getting better, roof trusses, scaffolding is short handed, roofing material
- 15 weeks for windows. Appliances.
- Lumber increases, OSB shortages, interior doors, window delays, high end product delays
- Trusses, windows, appliances, light fixtures, shingle allocation, to name a few
- Rim Joists are non existent. Windows are back ordered, Appliance are back ordered and late. Trim Carpentry Doors are late
- Lumber, cornice, windows, trusses, floor joists
- Something new everyday, but something has to give on cornice and frame material
- Hardie materials, appliances, brick all on allocation

Raleigh/Durham

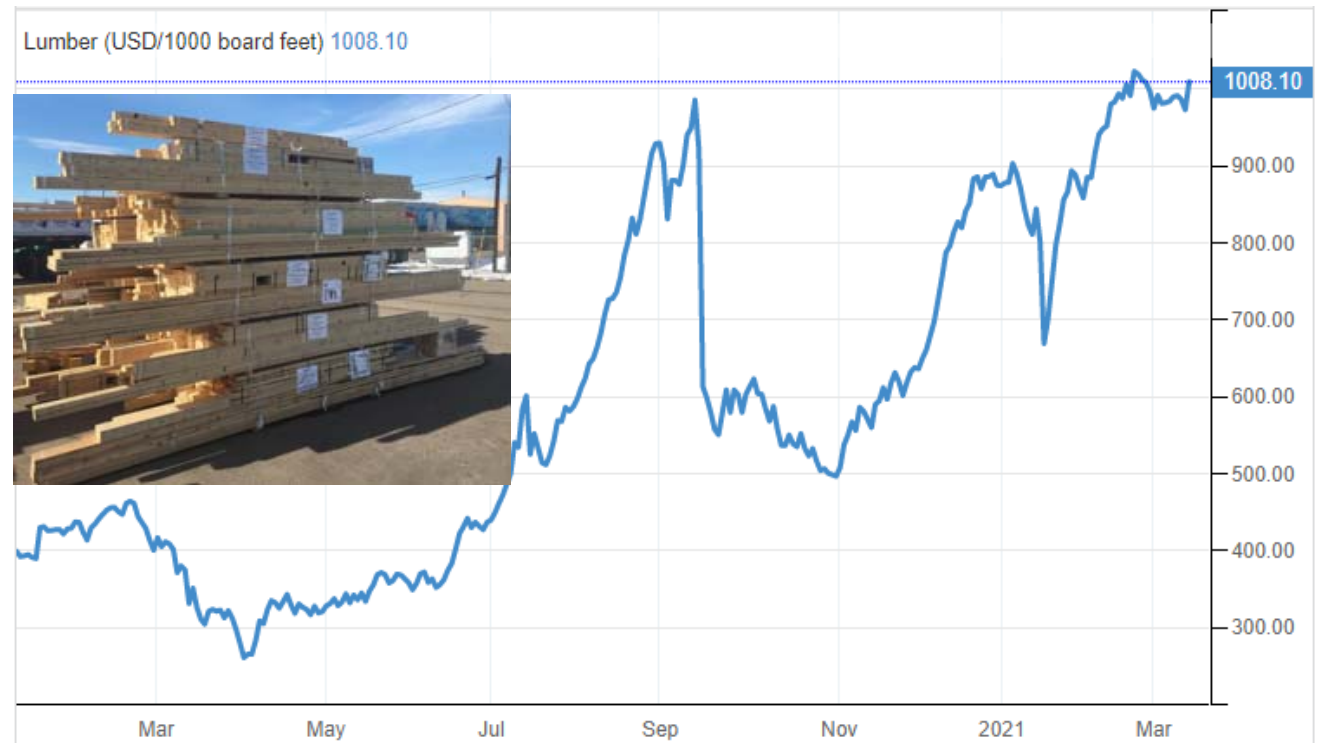


Comments:

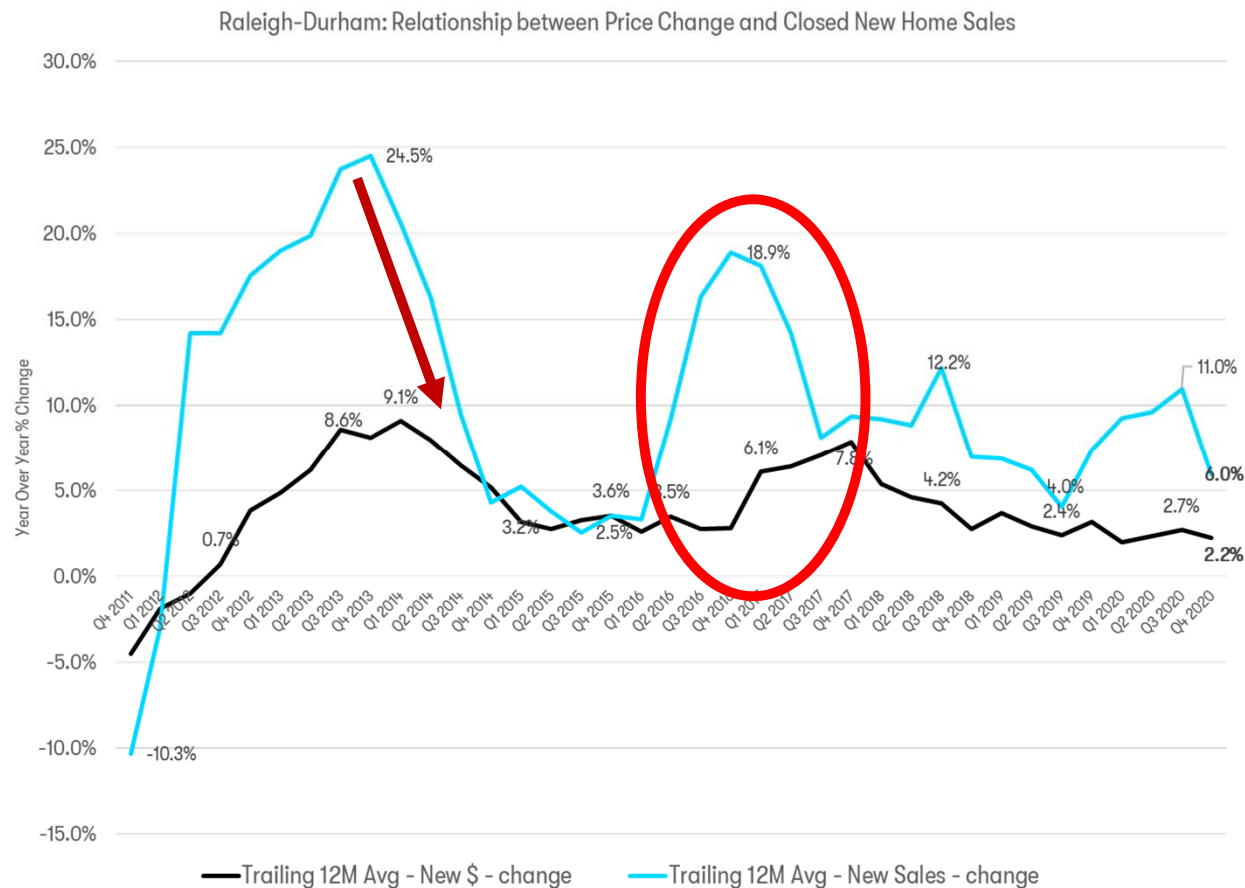
- Lumber increases
- Windows
- Lumber, windows, appliances
- appliances, windows
- Windows, Appliances
- Windows
- Lead times on several items still getting longer. Windows are a real problem.
- Windows, appliances...

# Lumber prices spike – again; Up 180% since April

NAHB estimates new lumber price has added \$24K to the price of average new single-family home; \$9K more to a multifamily home since April 2020

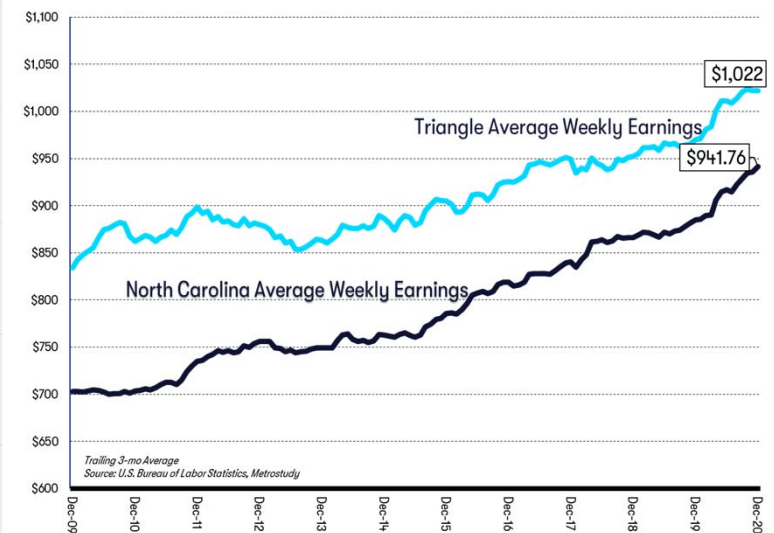
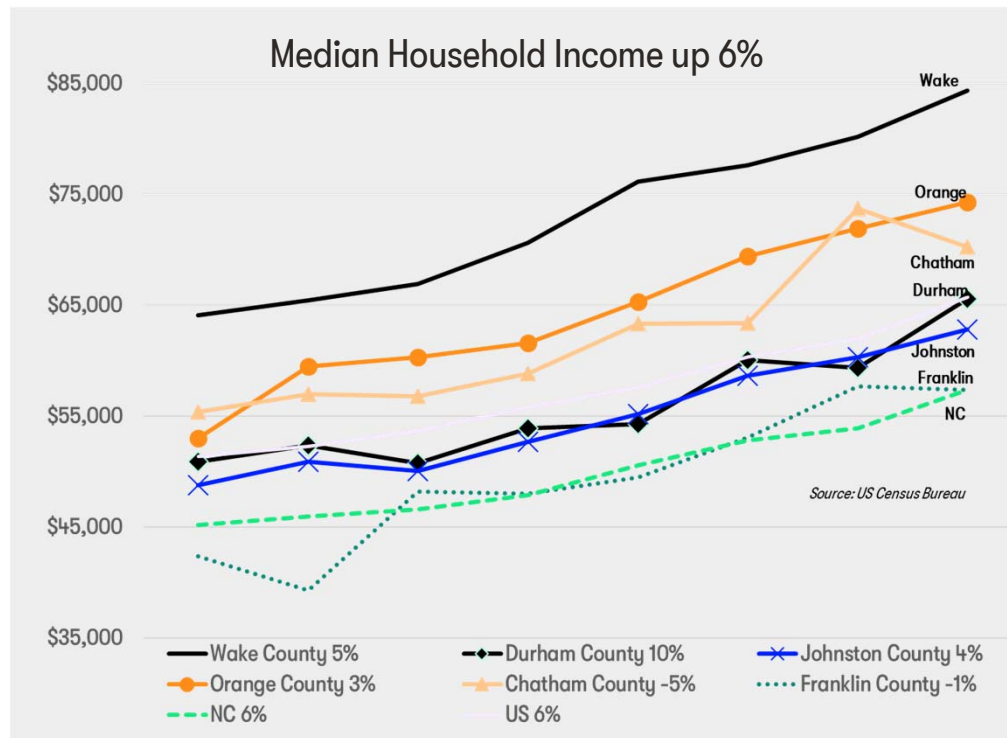


# Fear of Buying High as Home Prices Rise



Price will be  
the BRAKE  
on Sales

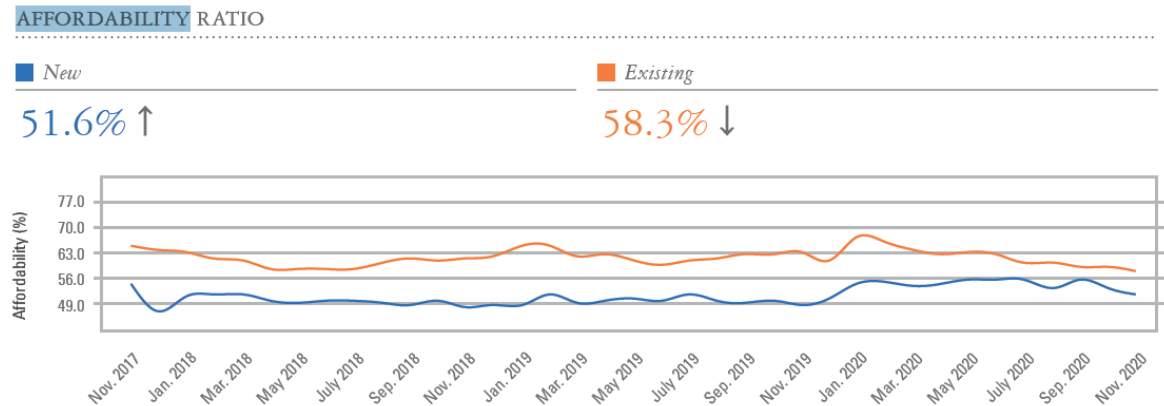
# Average Weekly Earnings Up 5%





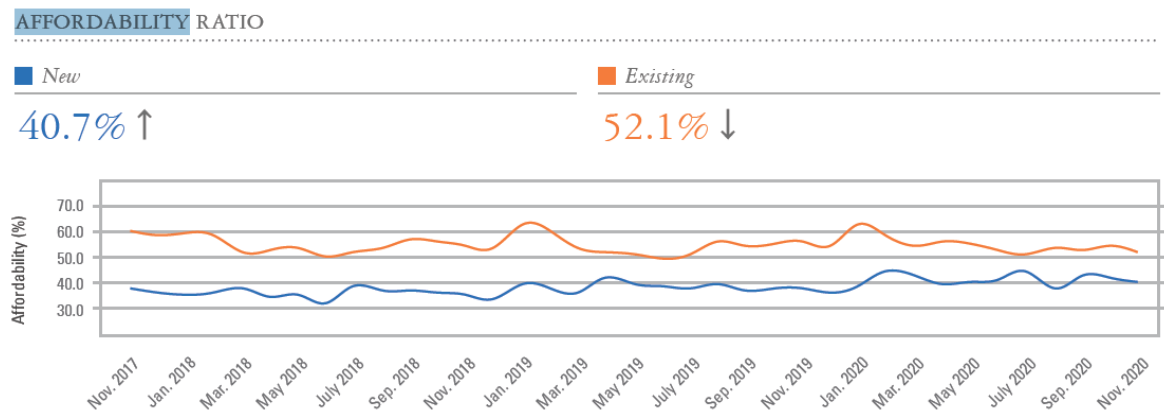
# Affordability Ratio

## Raleigh-Cary, NC CBSA



## Durham-Chapel Hill, NC CBSA

The percentage of households in the CBSA that can earn at or above the qualifying income for a median-priced detached new home. Calculation assumes that 30% of buyer's household income is used toward housing.





# Final Thoughts

## We generally feel good ... with some reservations

### The Good

- The stock market
- Record-high savings rates
- Stimulus acting as both a stimulant and a preservation tool
- Bottom half of the K should come alive mid/end of this year
- Potential for First Time buyer tax credit
- Demographics

### The Risks

- Wallet share
- Headline effect
- CRE market
- Affordability
- Ending of forbearance
- Lot supply and cost
- Building material costs

## Final Thoughts

- We're in a good place. Job recovery in the Triangle is in motion. Strong income growth = healthy buyer pool able to qualify for a home mortgage.
- Low interest rates have off-set rising list prices – so far. Watch for growing affordability concerns later in the year.
- Pressure from material shortages and material price increases likely won't stabilize until 2H2021 or early 2022.
- We're still bullish for 2021 with Starts & Closings forecast to grow 14-16% by year end – if we can keep up with the housing lot needs.

## Raleigh-Durham In The News

#1 Overall Real Estate Prospects, #1 Homebuilding Prospects, #1 Development/Redevelopment Opportunities by *PWC/ULI 2021 Emerging Trends in Real Estate report, Oct. 2020*

#2 Best City to Work from Home in 2021 by *Smart Asset, Jan. 2021*

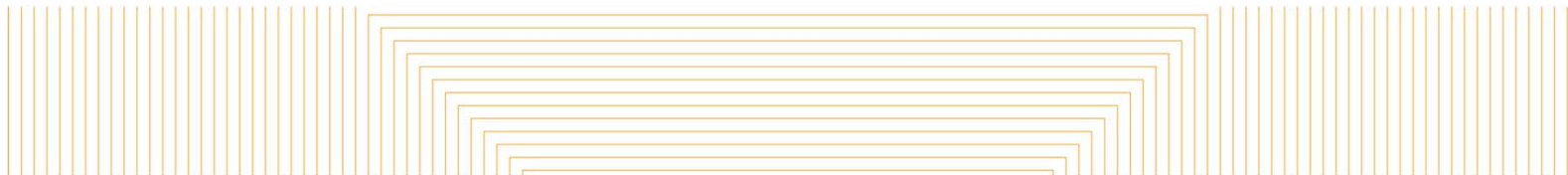
#3 Safest City in America (Cary, NC) by *MoneyGeek, Dec. 2020*

#3 Happiest City in the U.S. by *Men's Health, Dec. 2020*

#3 America's Cheapest Cities Where Everyone Wants to Live Right Now by *USA Today, Dec. 2020*

#5 Best-Performing Cities by *Milken Institute, Feb. 2020*

#6 Best College Towns & Cities in the U.S. by *WalletHub, Dec. 2020*





 Zonda.

# Q&A

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# Thank you

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