

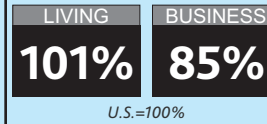
ECONOMIC DRIVERS



EMPLOYMENT GROWTH RANK



RELATIVE COSTS



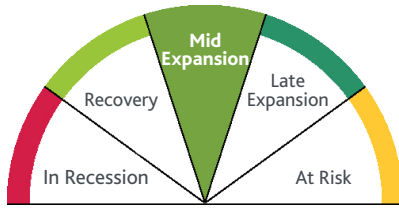
VITALITY



QUALITY



BUSINESS CYCLE STATUS



ANALYSIS

Recent Performance. Raleigh's economy is the star of the Tar Heel State. Year-over-year payroll growth is once again running at more than double the national rate. A near-complete count of jobs from the Quarterly Census of Employment and Wages shows that the apparent slowdown through the first half of 2019 was an artifact of survey employment issues resulting from the impact of Hurricane Florence. Healthcare, professional/business services and leisure/hospitality accounted for two-thirds of net new jobs over the last year. The unemployment rate remains below the national average but has risen slightly from its late-2018 cycle low; however, this reflects RAL's rapidly expanding labor force and not weak job growth. The strong labor market is carrying over into housing, where prices are more than 20% above their prior peak.

innovation district. The campus provides critical collaboration between academics, entrepreneurs, and established corporate partners. NCSU is engaged in a three-year collaboration with Infosys to provide data science training to new hires. Beyond the advantages to the tech industry, NCSU will provide a stable source of quality jobs as one of the largest employers in RAL.

Housing. Strong demographics and robust job growth will increase pressure on an already-hot housing market. Households are forming at more than double the national rate thanks to strong population gains and the release of pent-up housing demand made possible by improving consumer finances. Despite the surge in demand, price appreciation has remained in check throughout the expansion thanks to a strong response from builders. Permitting issuance rebounded sharply and has surpassed levels from the early 2000s prior to the housing market bubble, despite ongoing sluggishness nationally. As a result, construction payrolls are up nearly 50% since the end of the recession, far better than the 33% rise nationally.

Young professionals are creating strong demand for multifamily housing and driving above-average rent growth despite a wealth of new supply coming on line. RAL is adding apartment units faster than most other parts of the country, but occupancy rates remain above 95%.

Raleigh will remain a top performer, easily outpacing the state and U.S. in the near term. Job growth will moderate but consumer-driven and knowledge-based industries will thrive thanks to in-migration and investment in high tech. Longer term, stellar demographics, a deep talent pool, and low business costs will spur investment and keep RAL a top-performing large economy in the South.

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December 2019 help@economy.com

STRENGTHS & WEAKNESSES

STRENGTHS

- » Low living and business costs compared with other tech hubs.
- » High per capita income that supports consumption.
- » Strong and improving net migration.
- » Very high economic vitality.
- » Large concentration of prime-age workers.

WEAKNESSES

- » Strained infrastructure.
- » High employment volatility.

FORECAST RISKS



UPSIDE

- » More high-quality jobs in tech and life sciences boost incomes, spending.
- » Population growth is stronger, benefiting housing and consumer industries.
- » NCSU's expansion does more to stimulate growth in RAL's economy.

DOWNSIDE

- » Restrictions on the H-1B visa limit labor force growth, hurt key tech industries.

MOODY'S RATING

Aaa COUNTY AS OF AUG 07, 2014

White-collar wonder. Tech, life sciences, and other professional and technical services hold the most promise for growth. Professional/business services payrolls are growing at nearly three times the national rate and have accounted for one-third of net new jobs over the last year. Business costs are 15% below the U.S. average and much lower than those in other tech centers, giving RAL an edge that spurs investment. High tech accounts for more than 10% of RAL's jobs, seventh highest among the 65 U.S. metro areas and divisions with at least 1 million residents. Prospects remain bright, as RAL extended a string of positive news with Microsoft's recent announcement that it will create 500 additional software development jobs. Tech employers and RAL's universities will feed off each other as the deep talent pool draws firms to the area and expanding firms look to local universities to develop in-house talent.

NCSU. North Carolina State University will provide an increasingly valuable resource as talent becomes scarcer. Investment has been pouring into the Centennial Campus, a university-led

2013	2014	2015	2016	2017	2018	INDICATORS	2019	2020	2021	2022	2023	2024
59.1	62.0	65.6	67.7	70.2	73.1	Gross metro product (C12\$ bil)	74.1	76.2	78.6	81.9	84.7	87.5
1.9	4.9	5.9	3.1	3.8	4.1	% change	1.3	2.9	3.1	4.2	3.4	3.3
540.3	560.1	580.3	600.4	617.0	632.7	Total employment (ths)	645.6	657.7	661.7	671.4	679.8	687.7
2.9	3.7	3.6	3.5	2.8	2.6	% change	2.0	1.9	0.6	1.5	1.3	1.2
6.2	5.1	4.8	4.4	3.9	3.4	Unemployment rate (%)	3.5	3.3	3.6	3.7	3.7	3.7
1.2	7.6	7.7	4.3	5.3	7.8	Personal income growth (%)	7.1	5.1	4.2	5.7	5.1	4.8
61.4	63.3	66.6	70.0	72.6	73.9	Median household income (\$ ths)	75.4	77.5	79.0	81.2	83.4	85.5
1,213.3	1,241.2	1,271.2	1,303.8	1,334.3	1,362.5	Population (ths)	1,394.1	1,427.2	1,458.4	1,488.5	1,518.0	1,547.9
2.2	2.3	2.4	2.6	2.3	2.1	% change	2.3	2.4	2.2	2.1	2.0	2.0
17.0	18.7	21.4	24.0	22.5	20.5	Net migration (ths)	23.7	25.2	23.4	22.2	21.8	22.4
8,034	7,680	8,694	9,442	10,752	11,160	Single-family permits (#)	11,651	11,964	14,745	18,648	19,211	18,821
3,397	3,967	3,293	4,072	3,428	4,790	Multifamily permits (#)	3,381	5,518	6,611	6,972	6,970	6,929
156.0	163.2	171.2	182.1	196.2	209.4	FHFA house price (1995Q1=100)	221.6	225.9	228.5	230.9	234.7	239.9

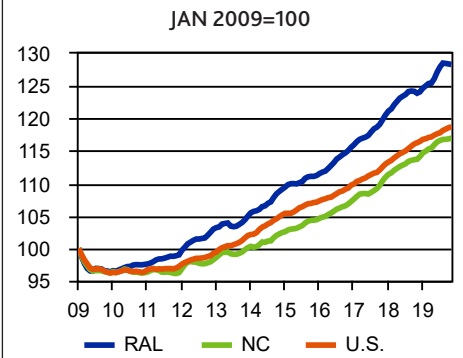
ECONOMIC HEALTH CHECK

3-MO MA	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19
Employment, change, ths	2.1	2.0	1.7	1.4	1.8	1.9
Unemployment rate, %	3.6	3.7	3.7	3.6	3.6	3.5
Labor force participation rate, %	67.4	67.6	67.8	68.0	68.1	ND
Average weekly hours, #	33.8	33.8	33.9	33.9	34.0	33.8
Industrial production, 2012=100	113.0	113.2	113.6	114.1	114.2	114.3
Residential permits, single-family, #	12,246	12,800	12,020	12,138	11,482	11,540
Residential permits, multifamily, #	5,571	5,518	4,703	3,441	2,558	2,934
Dec/Dec	2013	2014	2015	2016	2017	2018
Employment, change, ths	19.0	21.2	19.6	17.9	17.4	5.2

■ Better than prior 3-mo MA
 ■ Unchanged from prior 3-mo MA
 ■ Worse than prior 3-mo MA

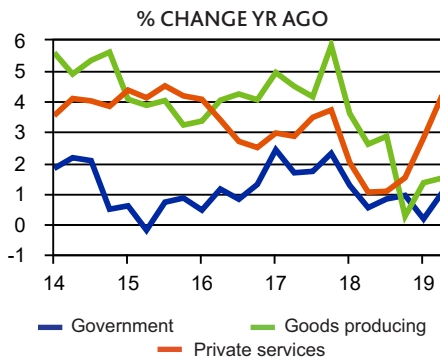
Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS



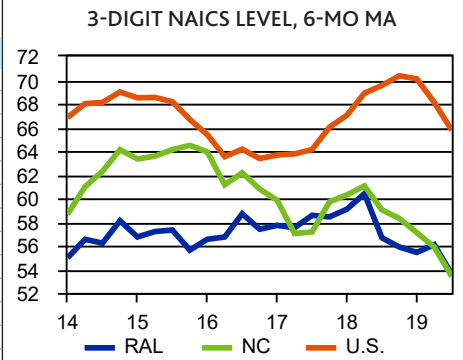
Sources: BLS, Moody's Analytics

% CHANGE YR AGO, 3-MO MA

	Nov 18	May 19	Nov 19
Total	1.3	1.2	3.5
Mining	-2.0	-2.9	1.5
Construction	3.5	1.7	3.3
Manufacturing	2.0	0.3	0.9
Trade	-0.6	1.5	3.1
Trans/Utilities	5.1	2.7	2.1
Information	2.0	1.1	3.3
Financial Activities	3.2	1.6	1.8
Prof & Business Svcs.	2.1	1.2	5.6
Edu & Health Svcs.	1.6	1.1	5.2
Leisure & Hospitality	0.2	1.4	4.6
Other Services	1.6	1.0	2.1
Government	0.4	0.9	1.4

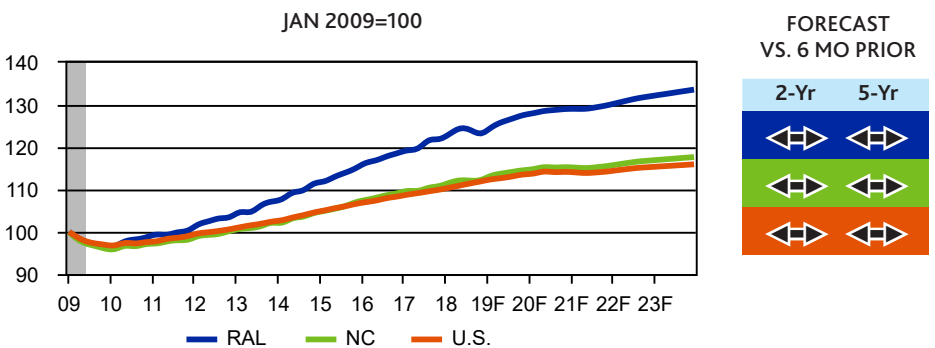
Sources: BLS, Moody's Analytics

DIFFUSION INDEX



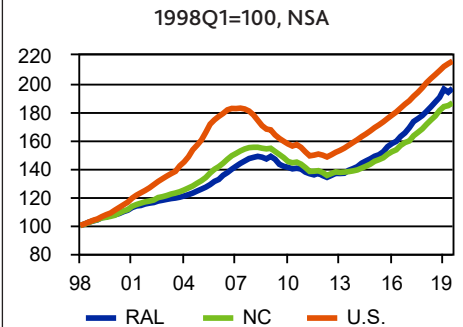
Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE



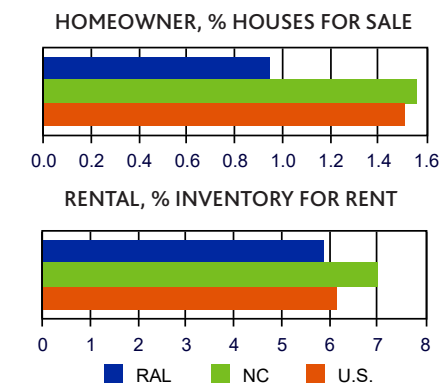
Sources: BLS, Moody's Analytics

HOUSE PRICE



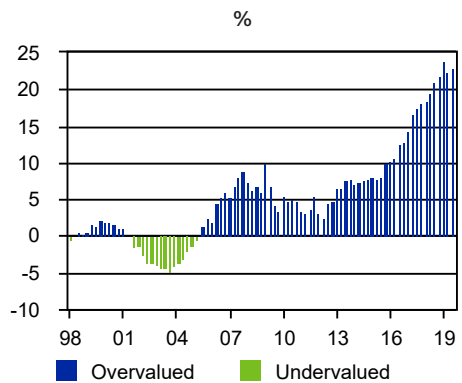
Sources: FHFA, Moody's Analytics

VACANCY RATES



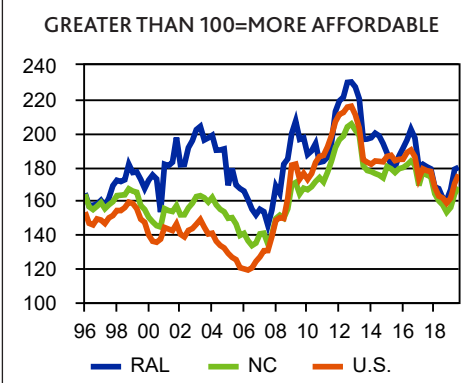
Sources: Census Bureau, ACS, Moody's Analytics, 2018

HOUSE PRICE TRENDS

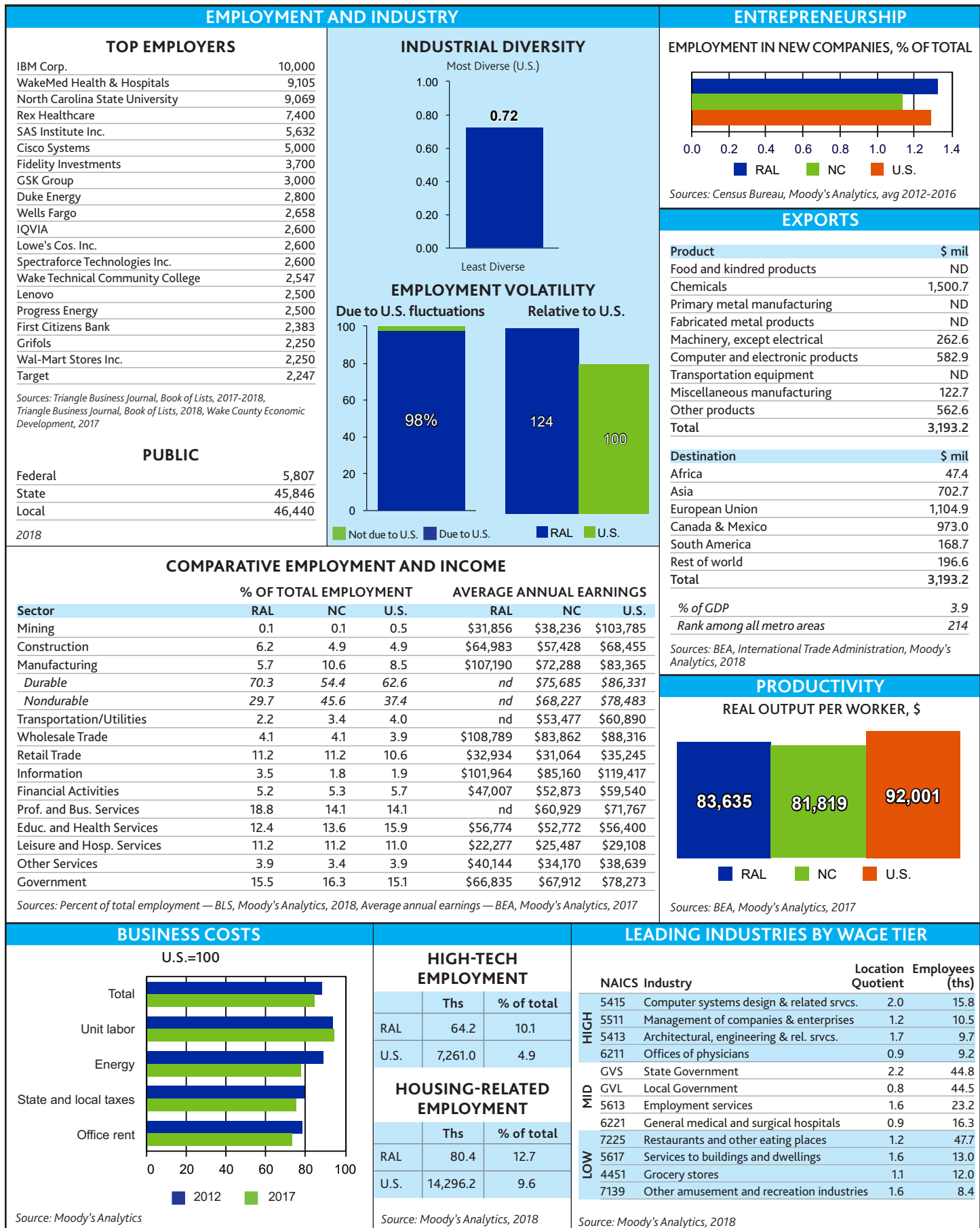


Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY



Sources: NAR, Moody's Analytics



BUSINESS COSTS

U.S.=100

Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
RAL	64.2	10.1
U.S.	7,261.0	4.9

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
RAL	80.4	12.7
U.S.	14,296.2	9.6

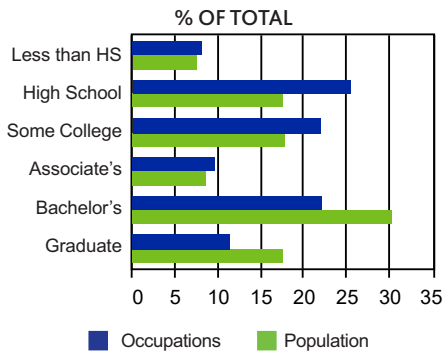
Source: Moody's Analytics, 2018

LEADING INDUSTRIES BY WAGE TIER

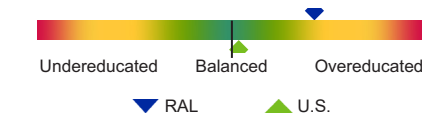
NAICS Industry	Location Quotient	Employees (ths)
5415 Computer systems design & related svcs.	2.0	15.8
5511 Management of companies & enterprises	1.2	10.5
5413 Architectural, engineering & rel. svcs.	1.7	9.7
6211 Offices of physicians	0.9	9.2
GVS State Government	2.2	44.8
GVL Local Government	0.8	44.5
5613 Employment services	1.6	23.2
6221 General medical and surgical hospitals	0.9	16.3
7225 Restaurants and other eating places	1.2	47.7
5617 Services to buildings and dwellings	1.6	13.0
4451 Grocery stores	1.1	12.0
7139 Other amusement and recreation industries	1.6	8.4

Source: Moody's Analytics, 2018

SKILLS MISMATCH



Sources: Census Bureau, ACS, Moody's Analytics, 2018

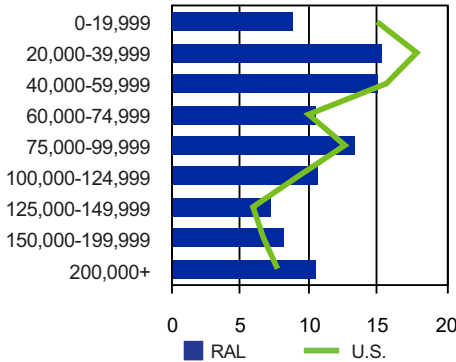


ECONOMIC DISENFRANCHISEMENT

Index	2018	Rank*
Gini coefficient	0.45	280
Palma ratio	2.9	270
Poverty rate	8.9%	360

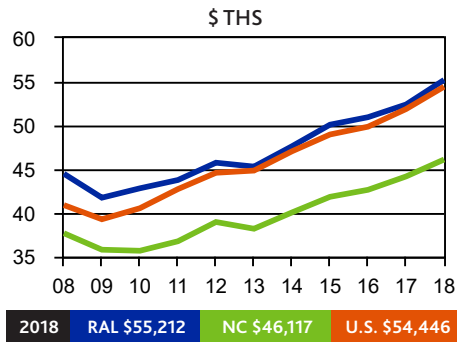
*Most unequal=1; Most equal=403

HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2018

PER CAPITA INCOME



Sources: BEA, Moody's Analytics

MIGRATION FLOWS

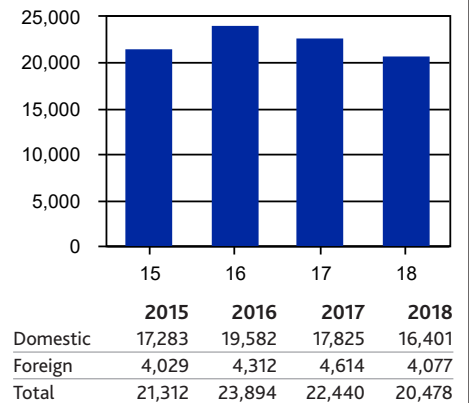
INTO RALEIGH NC

City	Number of Migrants
Durham NC	7,360
New York NY	2,750
Charlotte NC	2,218
Washington DC	1,613
Greensboro NC	1,405
Fayetteville NC	1,267
Rocky Mount NC	1,245
Greenville NC	1,005
Wilmington NC	993
Nassau County NY	972
Total in-migration	69,313

FROM RALEIGH NC

City	Number of Migrants
Durham NC	7,723
Charlotte NC	2,209
Greensboro NC	1,401
Rocky Mount NC	1,060
Wilmington NC	1,006
Washington DC	968
Atlanta GA	960
New York NY	838
Fayetteville NC	824
Goldsboro NC	763
Total out-migration	53,799
Net migration	15,514

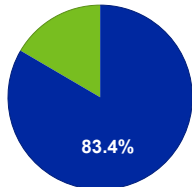
NET MIGRATION, #



Sources: IRS (top), 2018, Census Bureau, Moody's Analytics

COMMUTER FLOWS

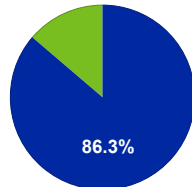
RESIDENTS WHO WORK IN RAL



Top Five Outside Sources of Jobs

Raleigh NC	Share
Durham NC	11.1
Rocky Mount NC	0.4
Goldsboro NC	0.4
Fayetteville NC	0.3
Greensboro NC	0.2

WORKERS WHO LIVE IN RAL



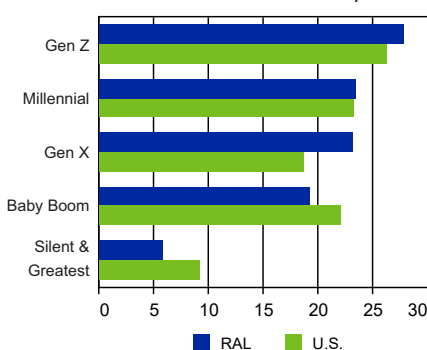
Top Five Outside Sources of Workers

Raleigh NC	Share
Durham NC	5.4
Rocky Mount NC	0.8
Goldsboro NC	0.6
Burlington NC	0.4
Charlotte NC	0.3

Sources: Census Bureau, Moody's Analytics, avg 2009-2013

GENERATIONAL BREAKDOWN

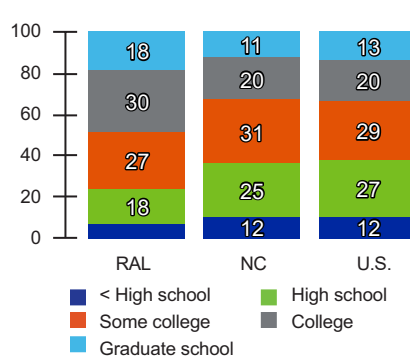
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2018

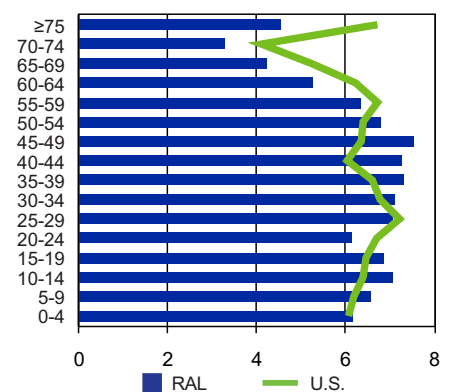
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2018

POPULATION BY AGE, %



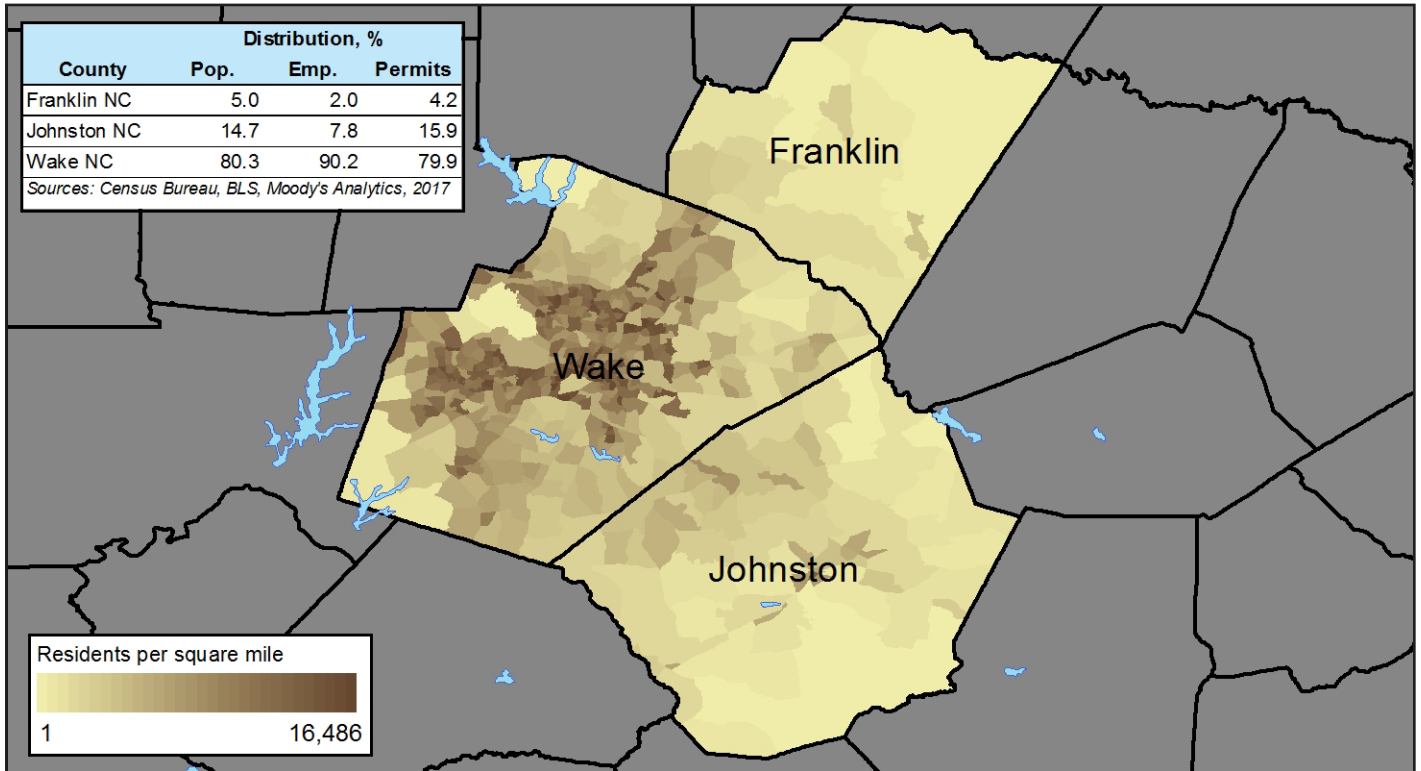
Sources: Census Bureau, Moody's Analytics, 2018

GEOGRAPHIC PROFILE

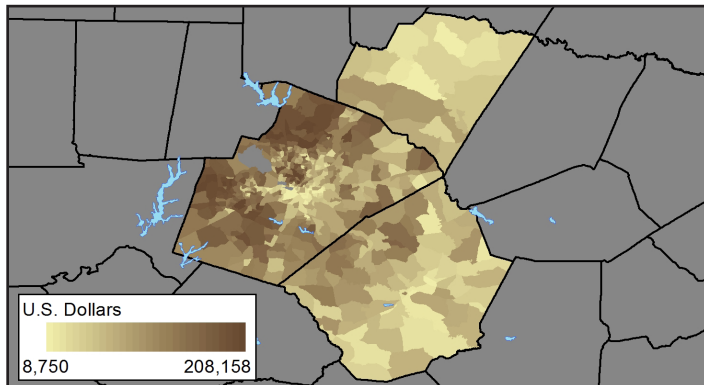
POPULATION DENSITY

County	Distribution, %		
	Pop.	Emp.	Permits
Franklin NC	5.0	2.0	4.2
Johnston NC	14.7	7.8	15.9
Wake NC	80.3	90.2	79.9

Sources: Census Bureau, BLS, Moody's Analytics, 2017



MEDIAN HOUSEHOLD INCOME



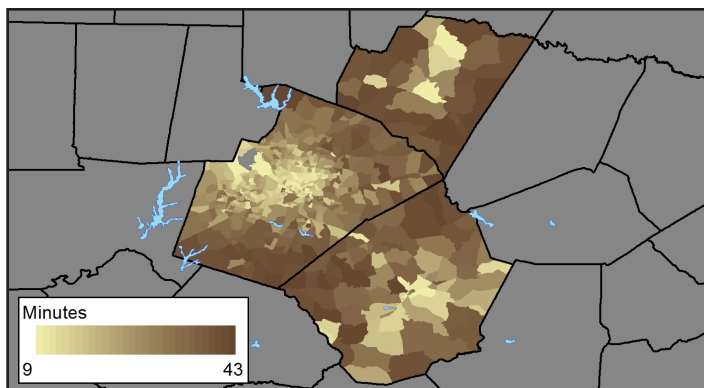
POPULATION & HOUSING CHARACTERISTICS

	Units	Value	Rank*
Total area	sq mi	2,147.3	161
Total water area	sq mi	29.2	248
Total land area	sq mi	2,118.2	143
Land area - developable	sq mi	2,102.6	50
Land area - undevelopable	sq mi	15.5	336
Population density	pop. to developable land	605.9	98
Total population	ths	1,362.5	52
U.S. citizen at birth	% of population	86.7	301
Naturalized U.S. citizen	% of population	5.2	105
Not a U.S. citizen	% of population	6.5	94
Median age		36.9	273
Total housing units	ths	548.2	55
Owner occupied	% of total	59.9	139
Renter occupied	% of total	32.2	138
Vacant	% of total	7.9	306
1-unit; detached	% of total	61.4	293
1-unit; attached	% of total	9.6	40
Multifamily	% of total	22.8	166
Median year built		1996	

* Areas & pop. density, out of 410 metro areas/divisions, including metros in Puerto Rico; all others, out of 403 metros.

Sources: Census Bureau, Moody's Analytics, 2018 except land area 2010

MEDIAN COMMUTE TIME



Sources: ACS, Moody's Analytics

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