



MULTIFAMILY REPORT

# Philly: Back On Track

May 2022

**YoY Rent Growth Still in Double Digits**

**Transaction Activity Remains Elevated**

**Per-Unit Prices Surpass US Average**

# PHILADELPHIA MULTIFAMILY



## Transactions, Deliveries Full Steam Ahead

While lacking the shiny appeal of Sun Belt cities, metro Philadelphia's multifamily market wrapped up a strong 2021 and continued to display steady fundamentals into the first quarter of this year. Despite record deliveries, the occupancy rate in stabilized properties went up 70 basis points in 12 months, reaching 96.9% as of February. Meanwhile, year-over-year rent growth hit 11.7% as of March, with the average rate at \$1,641, just one dollar shy of the U.S. figure.

Metro Philadelphia added a healthy 129,200 positions in the 12 months ending in February, with leisure and hospitality (42,700 jobs) leading growth by far, followed by professional and business services (25,000), and trade, transportation and utilities (19,700). While recovery is in full swing and all sectors registered gains, employment is still some 60,000 positions short of pre-pandemic levels, even as the unemployment rate has been hovering in the 4%-5% band since December.

Developers delivered 7,206 apartments in 2021 and 655 in the first quarter of this year, with an additional 12,796 units underway as of March. Meanwhile, almost \$250 million in communities traded in 2022 through March, above the figure registered in the same time frame last year, even as 2021 recorded a decade-high for transactions volume.

## Market Analysis | May 2022

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### Recent Philadelphia Transactions

#### 1500 Locust



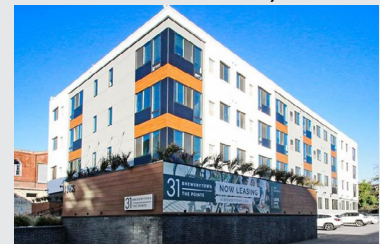
City: Philadelphia  
Buyer: Fairstead  
Purchase Price: \$233 MM  
Price per Unit: \$386,401

#### The Airdrie at Paoli Station



City: Paoli, Pa.  
Buyer: Sentinel Real Estate  
Purchase Price: \$71 MM  
Price per Unit: \$464,052

#### The Hub at 31 Brewerytown



City: Philadelphia  
Buyer: Rushmore Management  
Purchase Price: \$51 MM  
Price per Unit: \$607,143

#### Christina Mill

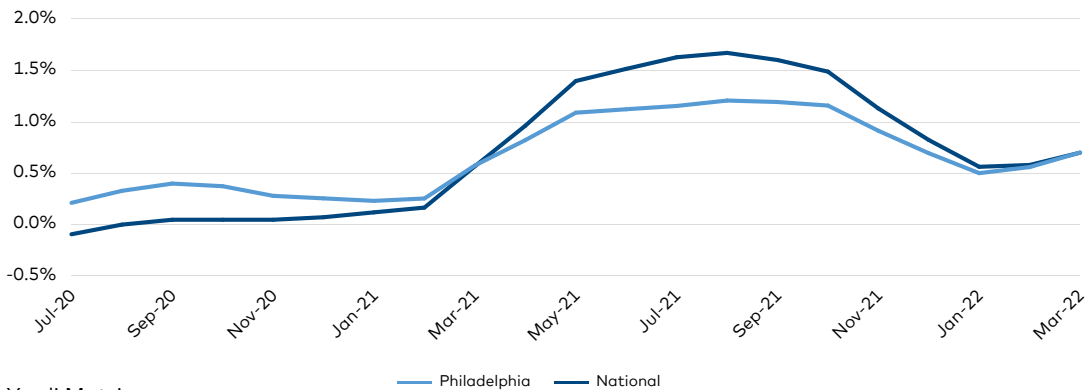


City: Newark, Del.  
Buyer: Exeter Property Group  
Purchase Price: \$49 MM  
Price per Unit: \$214,912

## RENT TRENDS

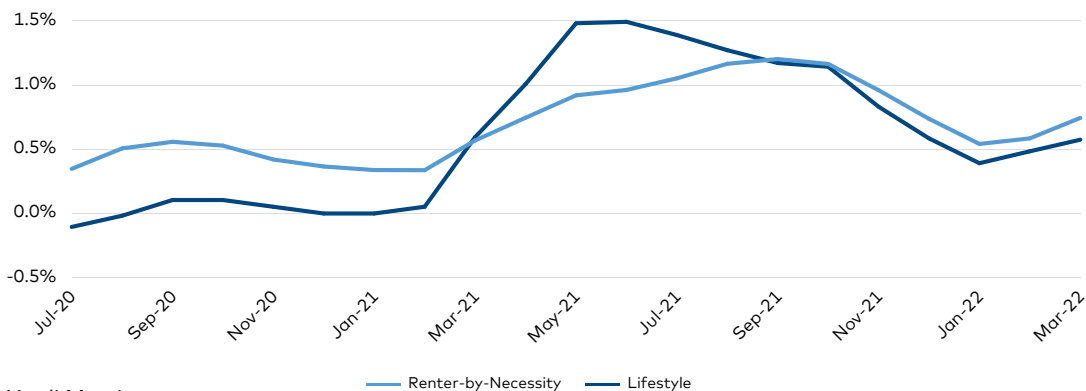
- Rents were up 0.7% on a trailing three-month (T3) basis as of March, on par with the U.S. figure. After outperforming for the better part of 2021, Philadelphia rent expansion closely followed the national average during the first quarter. Year-over-year, Philadelphia rates were up 11.7%, behind the rampant 14.8% national rate. At \$1,641, the average overall Philadelphia rent was virtually on par with the \$1,642 U.S. figure.
- Growth was consistent across quality segments during the past 12 months. Working-class Renter-by-Necessity rates were up 0.7%, to \$1,454 on a T3 basis as of March, while Lifestyle rents advanced 0.6%, to \$2,170.
- While more than two-thirds of submarkets recorded double-digit year-over-year hikes as of March, suburban areas registered stronger gains. The top 10 Philadelphia submarkets for rent growth were all suburban, including Malvern (20.6% to \$2,070), Concordville (18.9% to \$2,287), Cherry Hill (17.8% to \$1,782) and Pottstown (17.0% to \$1,411). Even so, core submarkets also registered gains and continued to sport some of the highest rates across the metro, led by Center City-West (9.8% to \$2,338) and Center City-East (12.0% to \$2,326).
- While demand is expected to continue outstripping supply for the foreseeable future, both in Philadelphia and across most of the U.S., Yardi Matrix expects rent growth to moderate after six quarters of incredible gains. We expect the average Philadelphia rate to advance 5.9% in 2022.

### Philadelphia vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Philadelphia Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- Philadelphia's unemployment rate clocked in at 4.7% as of February, marking a drop from the 5.3% recorded in January, according to preliminary Bureau of Labor Statistics data. While the figure has been slowly but steadily improving, the metro still has some 60,000 fewer employees than it did in February 2020, before the onset of the pandemic.
- However, Philadelphia remains in recovery mode, having gained 129,200 jobs in the 12 months ending in February. That marks a 4.3% expansion, close to the 4.7% national figure. Like most of the U.S., leisure and hospitality led gains, adding 42,700 positions, for a 22.8% expansion. Considering the pandemic's toll on the sector, the rebound was more than expected and reflects the scaling down of restrictions and the gradual return of retail foot traffic, larger events and tourism.
- Office-using industries also gained steam in Greater Philadelphia, with professional and business services adding 25,000 jobs, up 5.5%. Meanwhile, financial activities and information gained a more modest 2,000 jobs combined.
- Construction added 6,000 jobs and is headed for a strong year. According to Philadelphia YIMBY, the city is on track for record construction activity this year, based on the volume of plans filed with local authorities.

### Philadelphia Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	230	7.9%
60	Professional and Business Services	481	16.5%
40	Trade, Transportation and Utilities	536	18.4%
65	Education and Health Services	656	22.6%
80	Other Services	116	4.0%
15	Mining, Logging and Construction	115	4.0%
30	Manufacturing	177	6.1%
90	Government	331	11.4%
55	Financial Activities	217	7.5%
50	Information	48	1.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- Metro Philadelphia gained just 5,472 residents in 2020, for a 0.1% uptick.
- The metro added 112,137 people during the past decade. With domestic migration negative for more than 10 consecutive years, immigration and natural growth drove gains.

### Philadelphia vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Philadelphia	6,078,451	6,096,372	6,102,434	6,107,906

Source: U.S. Census

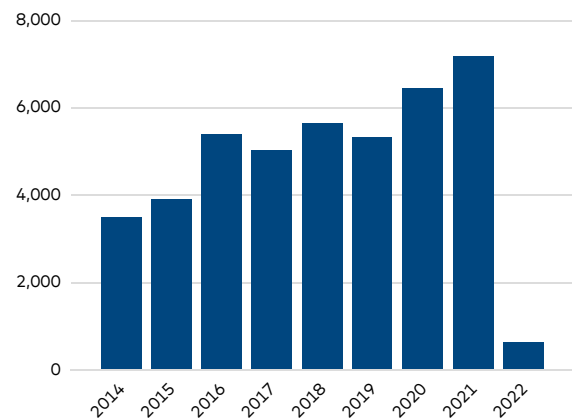
## SUPPLY

- Metro Philadelphia had 12,796 apartments under construction as of March, with an additional 70,000 units in the planning and permitting stages. Of the units underway, roughly 60% are in urban developments, with the remaining 40% located across suburban Philadelphia.
- During the first quarter of this year, a total of 655 units came online. This was on the heels of the metro's best year for deliveries in a decade, with 7,206 apartments completed in 2021, the vast majority of which were in upscale projects. The existing pipeline continues this trend, as nearly 90% of units under construction are in Lifestyle projects.
- Looking at construction starts, development remained consistent. Developers started work on 5,984 units across metro Philadelphia in the year ending in March, slightly above the 5,412 units recorded during the previous 12-month period.
- While development is relatively balanced in terms of units between urban and suburban settings, several core submarkets lead the pipeline. The list includes submarkets such as North-East (1,959 apartments underway), West (1,840 units) and North-West (705 units). The suburban submarket

with the largest pipeline is Audubon, with 586 apartments underway.

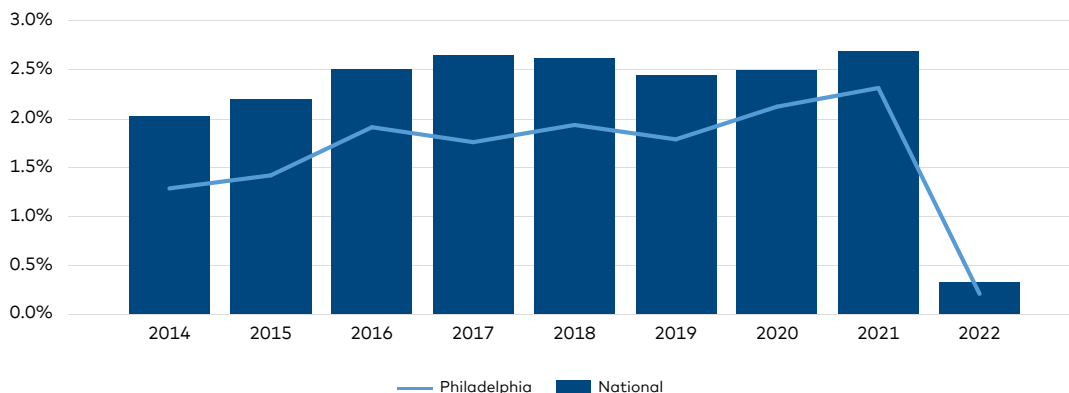
- The largest project underway is Tower Investment and Post Brothers' massive Piazza Terminal mixed-use development in the Northern Liberties area, which is set to include 1,131 apartments across several buildings, as well as retail, parking and other uses.

**Philadelphia Completions** (as of March 2022)



Source: Yardi Matrix

**Philadelphia vs. National Completions as a Percentage of Total Stock** (as of March 2022)



Source: Yardi Matrix

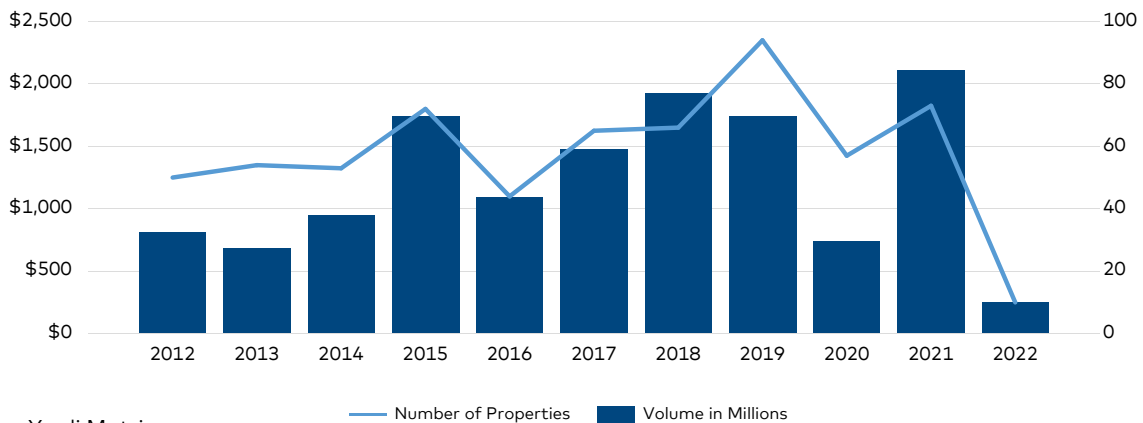
## TRANSACTIONS

- Nearly \$250 million in multifamily assets traded in metro Philadelphia in the first quarter, slightly above the \$239 million recorded during the first three months of last year. This came on the heels of a strong 2021, when \$2.1 billion in assets changed hands, marking a new decade high.
- Investors continued to favor value-add plays, with 70% of transactions in the first quarter involving Renter-by-Necessity assets. Even so,

the average price per unit jumped to \$239,911, up an impressive 97% over the same time frame last year and surpassing the \$213,402 U.S. average.

- Montium was one of the metro's most active buyers in the 12 months ending in March. The company acquired more than 1,200 units across four properties in Philadelphia, Newark, Del., and Glassboro, N.J., for nearly \$158 million.

### Philadelphia Sales Volume and Number of Properties Sold (as of March 2022)



Source: Yardi Matrix

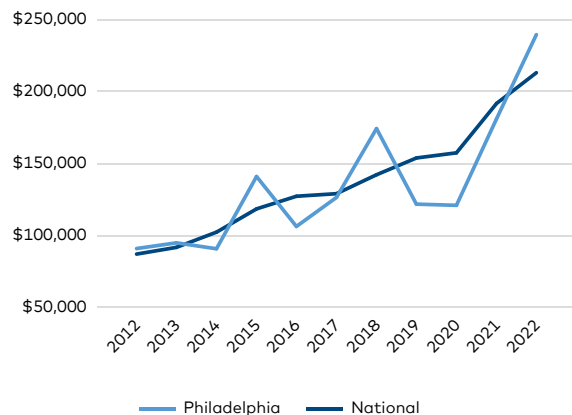
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
North - West	258
Center City - West	233
Northwest - East	169
Exton - Downingtown	134
Center City - East	120
Marlton - Medford	106
Bear	102

Source: Yardi Matrix

<sup>1</sup> From April 2021 to March 2022

### Philadelphia vs. National Sales Price per Unit



Source: Yardi Matrix



## Inside Philadelphia's Multifamily Market

By Evelyn Jozsa

Philadelphia's multifamily sector showed a great deal of resilience in the face of the health crisis and continued to recover during 2021. Thanks to strengthening economic fundamentals, both developers and investors are taking note of the opportunities the market can offer. Joseph Mullen, president of Madison Apartment Group—the multifamily management affiliate of Equus Capital Partners—discusses what's driving growth in the metro.

*Multifamily fundamentals have significantly improved over the past year in the metro. Do you expect this upward trajectory to continue this year?*

The majority of our portfolio is in the suburban Philadelphia market, which did not experience the kind of downturn seen in the urban Philadelphia markets. Occupancy and collections remained relatively strong since the onset of the pandemic and rent growth has been significant since early 2021. We expect strong fundamentals to continue. Rent growth may slow down but will remain strong relative to historic levels.

*Are there any risks that might offset this recovery?*

The rise in interest rates may have a short-term negative impact on property value, however, we believe fundamentals will remain strong. Even as folks begin to move back to the urban core, the desire of Millennials to start families and move to more suburban settings will more than offset the population looking to move back into the city.



*Which submarkets/neighborhoods are you most interested in?*

We look for neighborhoods with good school systems, proximity to highways and a good employment base, along with easy access to retail and various local amenities.

We are currently building in Newtown Square and Conshohocken and have a development pipeline in Bucks County—these locations have strong fundamentals, and we believe will continue to perform well.

*Philadelphia is rapidly expanding into a major life sciences cluster. How do you expect this growth to impact multifamily development?*

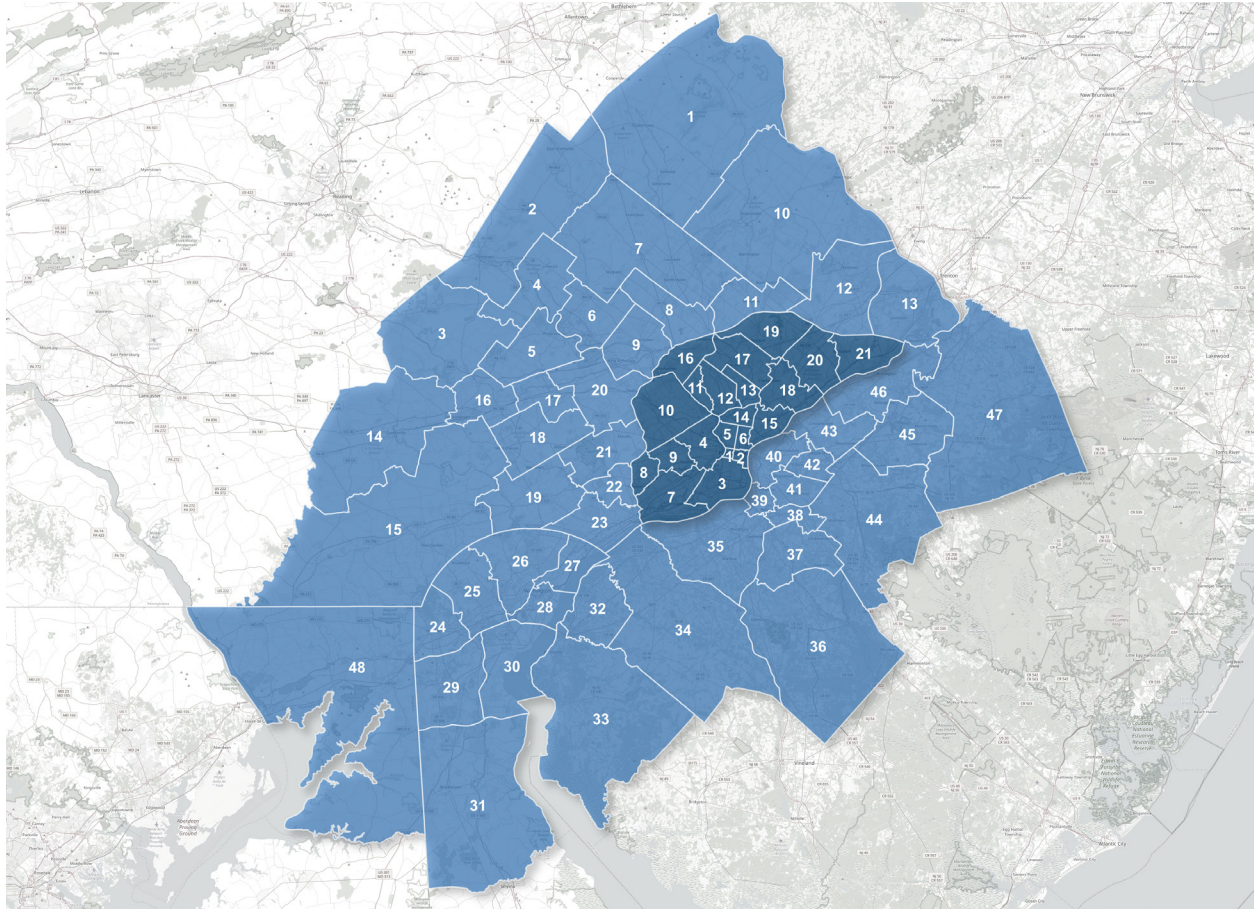
We are excited to see the continued growth within this sector as it will bring well-qualified renters to the population. We continually target locations where health care is a driver of the local economy due to the relative stickiness and endurance of those jobs through downturns. We view life sciences as a welcome addition to the already strong eds and meds population of the Philadelphia market that we love providing housing to.

*What are your expectations for the housing market this year?*

The housing market will continue to perform well in 2022. The growth rates experienced in 2021 to all-time high levels of pricing for multifamily rentals may slow slightly in 2022 but, overall, we believe they will remain strong relative to historical levels.

*(Read the complete interview on [multihousingnews.com](https://multihousingnews.com).)*

# PHILADELPHIA SUBMARKETS



Area No.	Submarket
1	Perkasie
2	Pottstown
3	Glenmoore
4	Royersford
5	Phoenixville
6	Audubon
7	Lansdale
8	Ambler
9	Norristown
10	Doylestown
11	Hatboro-Warminster
12	Feasterville-Langhorne
13	Fairless Hills-Morrisville
14	Coatesville
15	Oxford-Kennett Square
16	Exton-Downingtown
17	Malvern
18	West Chester
19	Concordville
20	Berwyn
21	Broomall
22	Media
23	Chester
24	Newark

Area No.	Submarket
25	Stanton-Pike Creek
26	Wilmington-West
27	Claymont-Wilmington North
28	Wilmington-Central
29	Bear
30	New Castle
31	Middletown
32	Carneys Point
33	Pennsville-Salem
34	Bridgeport-Woodstown
35	Woodbury
36	Glassboro-Williamstown
37	Lindenwold
38	Runnemede-Voorhees
39	Gloucester City
40	Camden-Pennsauken Township
41	Haddonfield
42	Cherry Hill
43	Cinnaminson
44	Marlton-Medford
45	Mount Holly
46	Willingboro
47	Bordentown-Browns Mills
48	Cecil County

Area No.	Submarket
1	Center City-West
2	Center City-East
3	South
4	West
5	North-West
6	North-East
7	Southwest
8	Springfield
9	Upper Darby-Drexel Hill
10	Ardmore
11	Northwest-West
12	Northwest-East
13	Oak Lane
14	Upper North
15	Frankford/Kensington
16	Conshohocken
17	Abington
18	Lower Northeast
19	Willow Grove
20	Far Northeast
21	Bensalem



## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



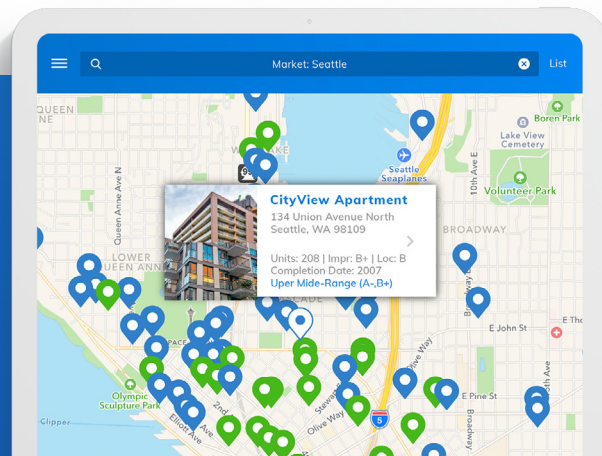
# Yardi Matrix

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## MULTIFAMILY KEY FEATURES

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- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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