



MULTIFAMILY REPORT

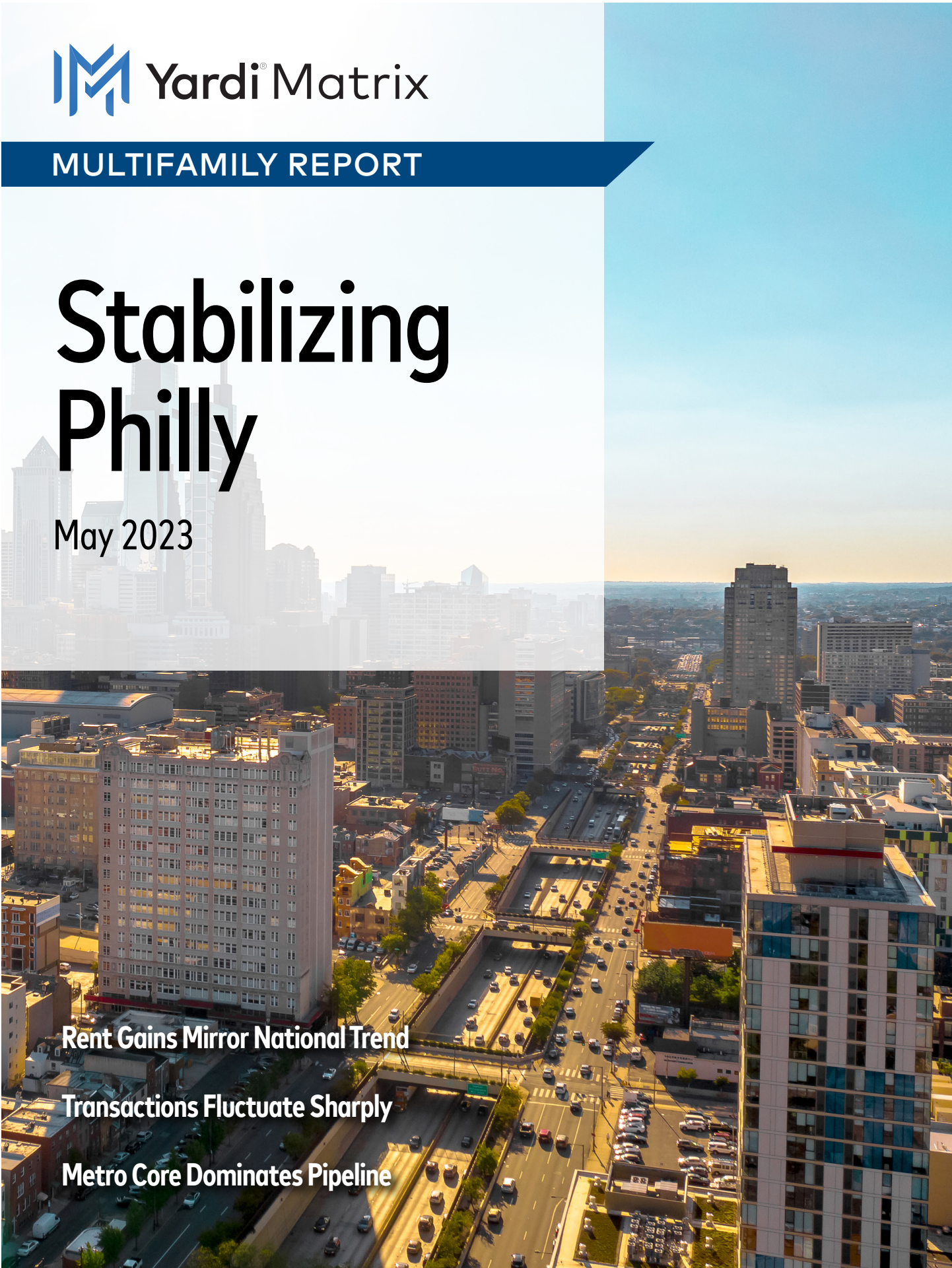
Stabilizing Philly

May 2023

Rent Gains Mirror National Trend

Transactions Fluctuate Sharply

Metro Core Dominates Pipeline



PHILADELPHIA MULTIFAMILY



Transactions Slow, Development Improves

After notable growth and a slight correction, the Philadelphia multifamily market is once again finding its footing. Coming out of a seasonal deceleration, rents were flat on a trailing three-month basis as of March, in line with the national average. Meanwhile, yearly growth decelerated to 4.0%, again on par with the U.S. figure. Occupancy slid 70 basis points in the 12 months ending in February, but remained relatively healthy, at 96.0%.

Metro Philadelphia gained 101,400 positions last year, with education and health services (30,400 jobs) driving growth. All areas added jobs, except for the public sector, which lost 1,400 positions. Meanwhile, Philadelphia unemployment increased slightly at the beginning of 2023, to 4.2%, but was still tight. What's more, several large projects, including multibillion-dollar ventures such as Schuylkill Yards and the Philadelphia Navy Yard, are moving forward and providing new economic anchors. Many such projects are centered around life science space, with the metro offering plenty of expansion opportunities in the field.

A total of 1,070 apartments came online during the first quarter, and Philadelphia had an additional 16,080 units under construction as of March. Yardi Matrix expects 5,292 rental units to be completed in 2023. Meanwhile, transactions slowed down significantly this year on the heels of the 2022 decade high, when \$3.9 billion in multifamily assets traded.

Market Analysis | May 2023

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Recent Philadelphia Transactions

Presidential City



City: Philadelphia
Buyer: KKR
Purchase Price: \$342 MM
Price per Unit: \$334,311

Arrive Chadds Ford



City: Chadds Ford, Pa.
Buyer: FPA Multifamily
Purchase Price: \$97 MM
Price per Unit: \$274,148

Metropolitan



City: Philadelphia
Buyer: GY Properties
Purchase Price: \$30 MM
Price per Unit: \$250,000

Pennsauken Tower

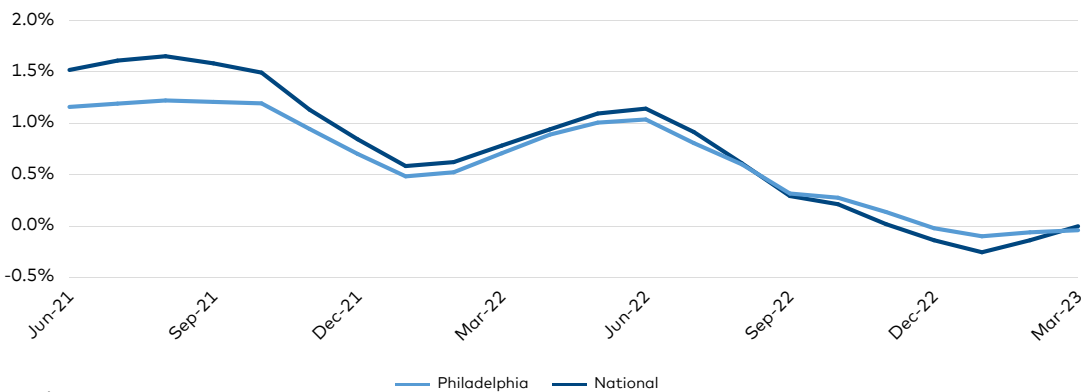


City: Pennsauken, N.J.
Buyer: PRD Management
Purchase Price: \$21 MM
Price per Unit: \$205,000

RENT TRENDS

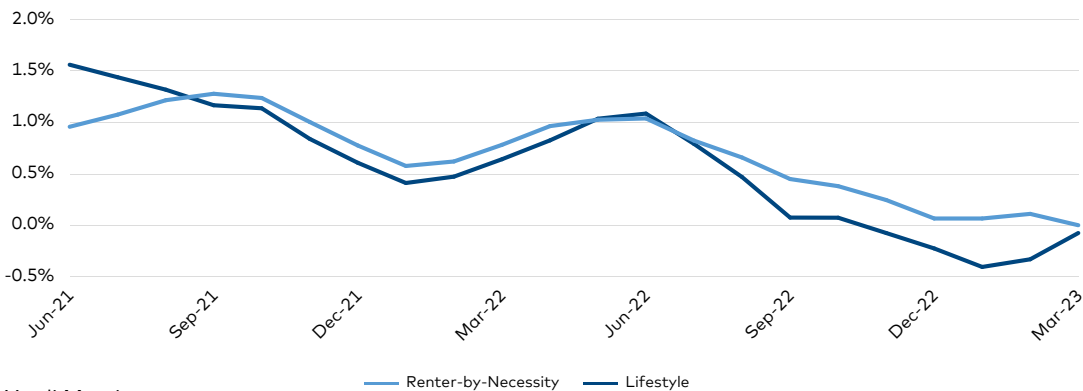
- ▶ Philadelphia rents were flat on a trailing three-month (T3) basis as of March, in line with the national figure. Year-over-year, the average was up 4.0%, reaching \$1,684. Meanwhile, the U.S. rate also grew by 4.0%, to \$1,706.
 - ▶ There was little difference between quality segments at the beginning of the year, with working-class Renter-by-Necessity rates flat in the first quarter, to \$1,495, while Lifestyle figures were down 10 basis points, to \$2,207.
 - ▶ The suburbs drove rent growth in the 12 months ending in March, with 17 of the top 20 Philadelphia submarkets located in suburban areas. The list included Newark-South (13.7% to \$1,697), Bordentown (11.5% to \$1,615), Mill Creek (11.2% to \$1,422) and Woodbury (10.8% to \$1,625).
- ▶ Core growth was led by submarkets including Willow Grove (7.4% to \$2,036) and the Upper North (5.3% to \$1,634).
 - ▶ Of the 80 submarkets tracked by Yardi Matrix, six recorded year-over-year drops. Center City-East—the metro’s second-most expensive submarket—was one of them, with rates down 10 basis points, to \$2,319. The most expensive submarket, Center City-West, saw rents climb 4.7%, to \$2,506.
 - ▶ Occupancy in the metro slid 70 basis points in the 12 months ending in February, but at 96.0%, it remained above the U.S. figure. Considering dampening growth and overall market momentum, Yardi Matrix expects Philadelphia rents to advance 2.0% this year.

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

- Metro Philadelphia unemployment rose to 4.2% as of February, up 80 basis points from just two months prior, according to preliminary data from the Bureau of Labor Statistics. Even so, it remained relatively tight and above the 4.7% registered one year ago. Meanwhile, Pennsylvania unemployment clocked in at 4.4% and New Jersey at 3.5%, as of February.
- Philadelphia gained 101,400 jobs last year, which marked a 3.7% expansion, on par with the national rate of growth. All but one sector expanded, with education and health services (30,400 jobs), trade, transportation and utilities (18,900 jobs), professional and business services (18,500 jobs) and leisure and hospitality (18,200 jobs) driving growth. Meanwhile, the public sector shed 1,400 positions.
- Beyond short-term volatility and downturn anticipation, Philadelphia has several multiphase, multibillion-dollar developments moving forward. The list includes the \$3.5 billion Schuylkill Yards, with several life science, office, residential and retail buildings slated to come online in the next couple of years. Meanwhile, the Philadelphia Navy Yard project will generate 8.9 million square feet of new development, providing some 12,000 jobs through \$6 billion in new investment over the next two decades.

Philadelphia Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	762	21.7%
40	Trade, Transportation and Utilities	669	19.1%
60	Professional and Business Services	542	15.5%
70	Leisure and Hospitality	327	9.3%
30	Manufacturing	230	6.6%
80	Other Services	138	3.9%
55	Financial Activities	236	6.7%
15	Mining, Logging and Construction	140	4.0%
50	Information	53	1.5%
90	Government	411	11.7%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Philadelphia lost 13,382 residents in 2021, ending a growth streak that lasted for more than a decade. The contraction marked a 0.2% drop, while the U.S. population grew 0.1%.
- Between 2010 and 2021, metro Philadelphia gained more than 250,000 people.

Philadelphia vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Philadelphia	6,096,805	6,104,777	6,241,983	6,228,601

Source: U.S. Census

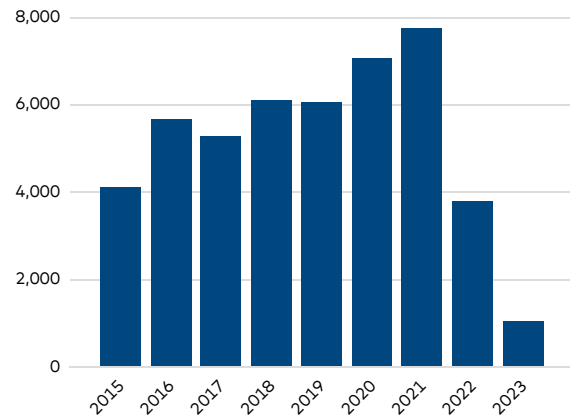
SUPPLY

- ▶ Philadelphia had 16,080 units underway as of March. Following nationwide trends, the majority were in upscale projects. In addition, the metro had 73,000 units in the planning and permitting stages.
- ▶ While the suburbs are taking the lion's share when it comes to transactions, core submarkets continue to dominate the pipeline. As of March, urban areas accounted for 11,409 units under construction, while suburban submarkets totaled only 4,671 units. Almost 10,000 of the units underway are located within a 3-mile radius of Center City.
- ▶ Just four core submarkets accounted for more than half of Philadelphia's pipeline as of March. North-East led by far, with 4,148 units under construction, followed by West (1,876 units), Center City-East (1,452 units) and Frankford/Kensington (1,038 units).
- ▶ A total of 1,070 apartments in six multifamily properties came online across Philadelphia in the first quarter of 2023. That represented 0.3% of existing stock, in line with the national pace. This came on the heels of a slower 12 months, with only 3,802 units completed in 2022, significantly below the 6,462-unit average

of the previous five years. Yardi Matrix expects a slightly busier 2023, with 5,292 apartments projected to come online throughout the year.

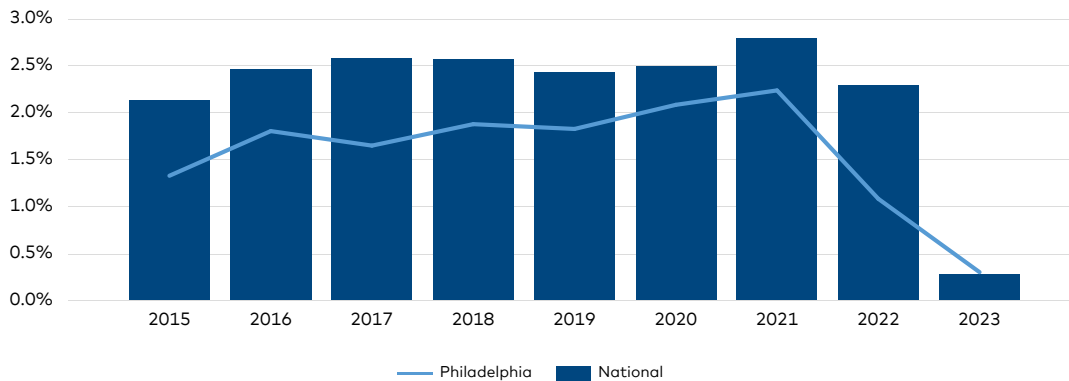
- ▶ Tower Investment and Post Brothers' 1,131-unit Piazza Terminal in Northern Liberties remains the metro's largest project underway. Located in an area that's a hotbed for development, the multibuilding community is scheduled for completion by the end of next year.

Philadelphia Completions (as of March 2023)



Source: Yardi Matrix

Philadelphia vs. National Completions as a Percentage of Total Stock (as of March 2023)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Before transactions nearly ground to a halt in 2023, Philadelphia deal volume had marked a strong decade high, at \$3.9 billion in 2022. Considering the high-interest-rate environment and overall market conditions, Yardi Matrix expects transactions to follow a decelerating pattern in the near future.
- ▶ The metro's price per unit continued to rise, averaging \$230,786 in 2022 and marking another uptick, to \$250,000, in the first quarter of 2023.
- ▶ The suburbs attracted most of the capital in the 12 months ending in March, with volume at \$1.8 billion. Meanwhile, the figure for urban submarkets clocked in at \$1.2 billion.
- ▶ Rushmore Management (\$510 million, 1,072 units) and KKR (\$385 million, 1,197 units) were two of the largest buyers in the 12 months ending in March. Each firm acquired three metro Philadelphia properties.

Philadelphia Sales Volume and Number of Properties Sold (as of March 2023)



Source: Yardi Matrix

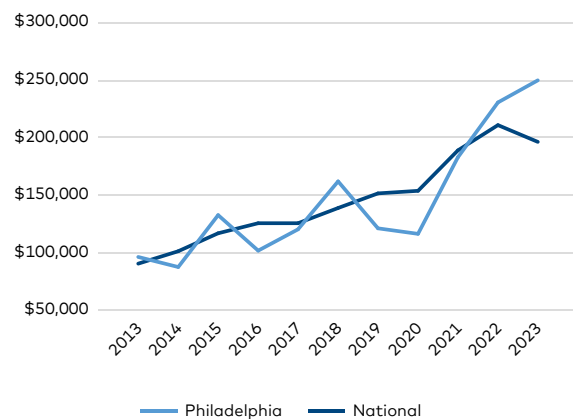
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Levittown-Morrisville	530
West	430
Lansdale	256
Northwest-East	247
Center City-East	245
Collingswood	179
Mount Laurel	158

Source: Yardi Matrix

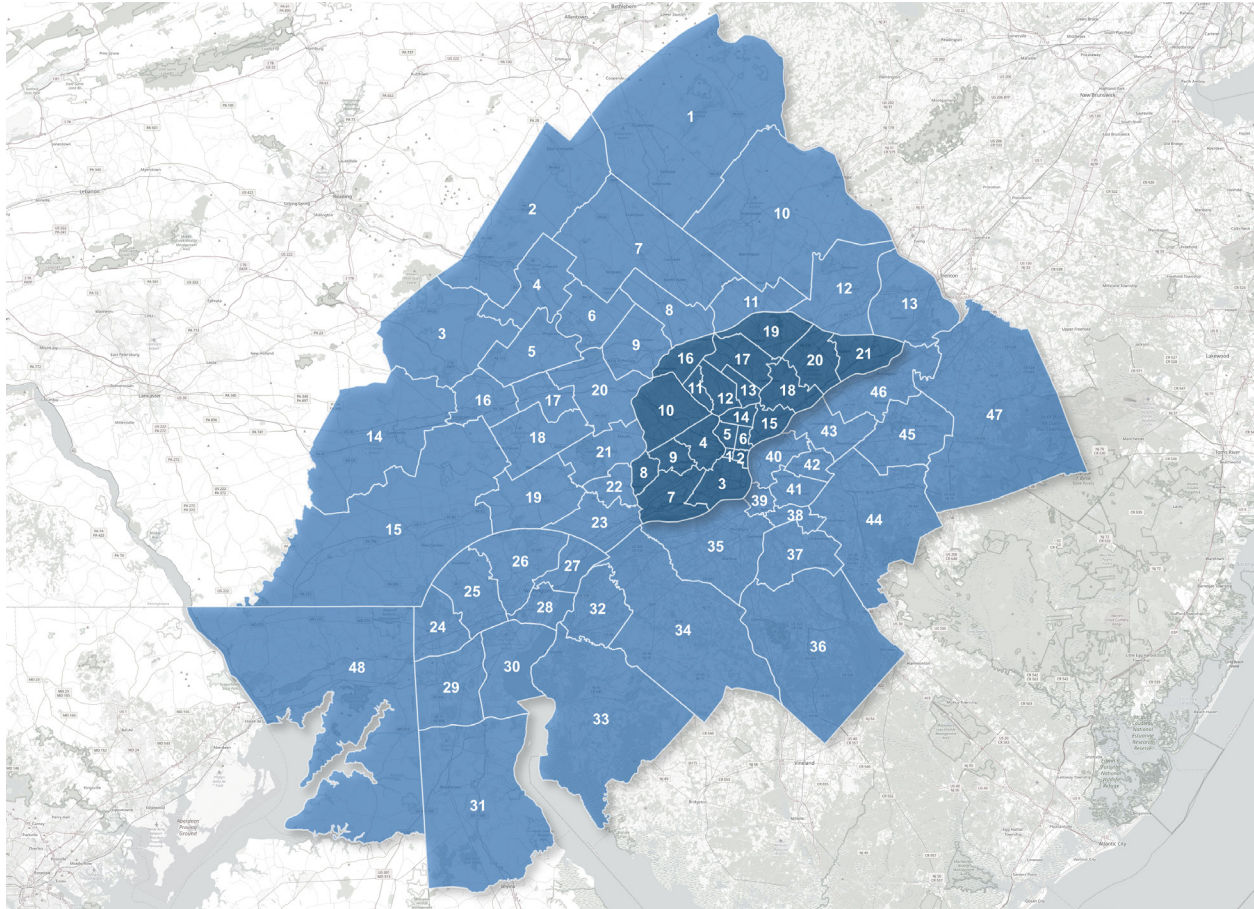
¹ From April 2022 to March 2023

Philadelphia vs. National Sales Price per Unit



Source: Yardi Matrix

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 or call Ron Brock, Jr., at 480-663-1149 x2404.



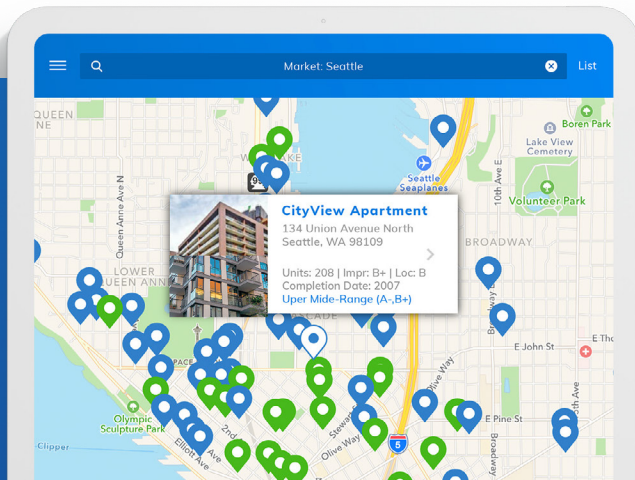
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leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- 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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