



MULTIFAMILY REPORT

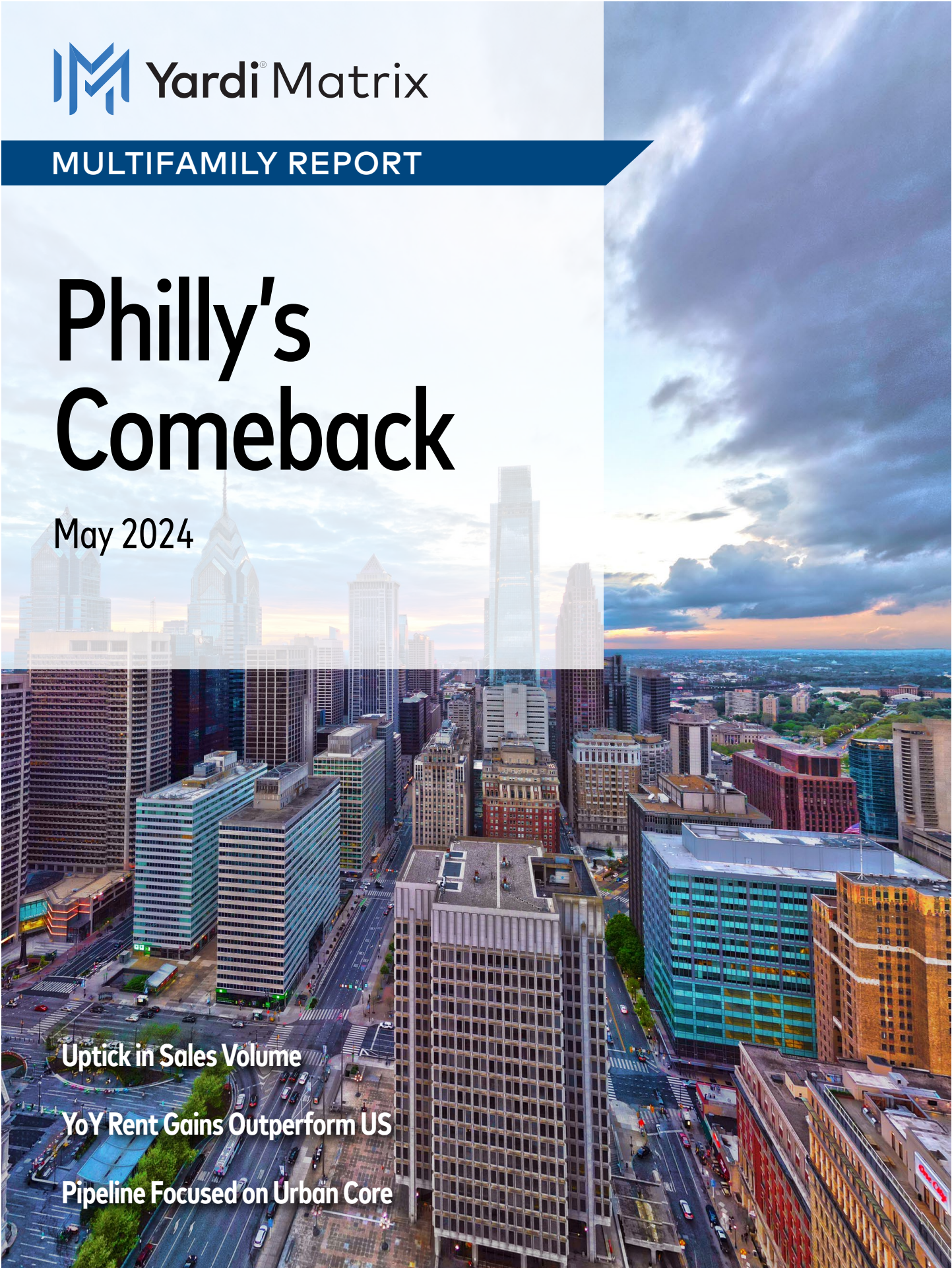
Philly's Comeback

May 2024

Uptick in Sales Volume

YoY Rent Gains Outperform US

Pipeline Focused on Urban Core



PHILADELPHIA MULTIFAMILY



Spring Kicks Off Upswing in Philly

Philadelphia's multifamily market showed signs of improvement at the end of the first quarter. After nearly six months of negative rent movement, rates were up 0.1% on a trailing three-month basis through March. Year-over-year performance also recorded a boost. Philadelphia rents increased 2.2% to \$1,729, while the national average rose 0.9% year-over-year through March, to \$1,721. Occupancy showed positive signs, as well. Despite sliding 50 basis points in the 12 months ending in February, the metro's rate still stood 100 basis points above the 94.5% U.S. average.

Greater Philadelphia's unemployment rate settled at 3.8% as of February, according to data from the Bureau of Labor Statistics. The figure stayed flat month-over-month and was 10 basis points below the national average. In 2023, the metro added 92,000 net jobs, amounting to a 2.8% expansion. Education and health services led gains, with 42,600 net positions or a 5.5% increase. The sector will also receive a boost from Cooper University Health Care's \$2 billion expansion project in Camden, N.J. Cooper will begin construction on the initial phase later this year.

Developers had more than 18,000 units under construction as of March in the metro. After almost 6,100 units came online last year, Yardi Matrix expects deliveries to maintain a steady pace, with an estimated 6,253 apartments slated to come online in 2024 and more than 7,500 next year.

Market Analysis | May 2024

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Recent Philadelphia Transactions

Frazer Crossing



City: Malvern, Pa.
Buyer: Eagle Rock Properties
Purchase Price: \$77 MM
Price per Unit: \$212,712

Madison Glen Mills

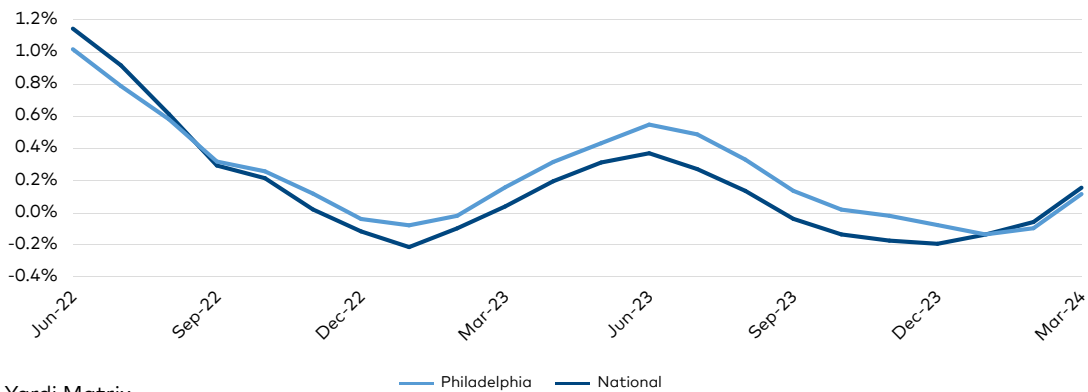


City: Glen Mills, Pa.
Buyer: Equus Capital Partners
Purchase Price: \$70 MM
Price per Unit: \$288,049

RENT TRENDS

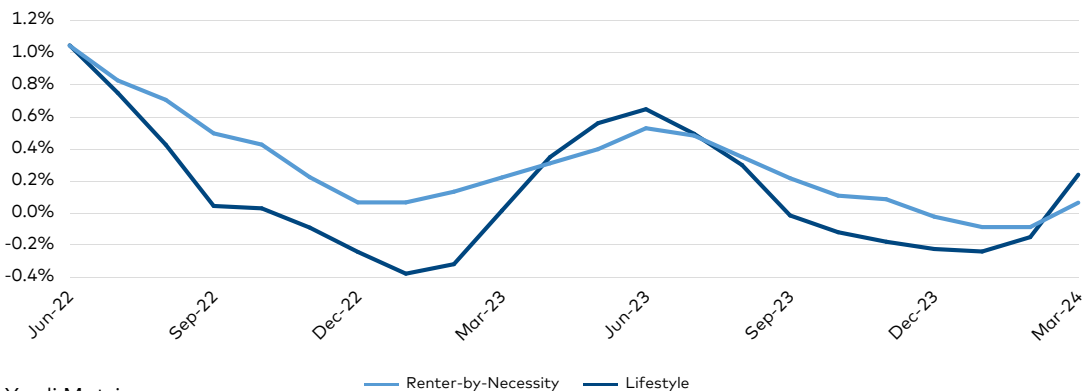
- ▶ Philadelphia rents were up 0.1% on a trailing three-month (T3) basis through March, reaching an average of \$1,729. This was the rate's first positive movement since September 2023. On an annual basis, Philadelphia registered a 2.2% increase, well above the 0.9% U.S. figure.
- ▶ Looking at quality segments, working-class Renter-by-Necessity rates were up 0.1% on a T3 basis through March, while Lifestyle rents inched up 0.2%. Annually, the RBN figure registered a 2.4% increase, to \$1,540, while Lifestyle rents rose 2.0%, landing at \$2,244.
- ▶ The average occupancy rate in stabilized assets across Philadelphia was 95.5% as of February. The figure marked a 50-basis-point drop over 12 months but remained well above the national average of 94.5%. Lifestyle occupancy fell 80 basis points to 94.8% on an annual basis. The RBN segment fared better, with occupancy falling 40 basis points, to 95.8%.
- ▶ Most of the 80 submarkets tracked by Yardi Matrix recorded yearly rent increases. Only 13 saw declines, led by Willow Grove. Despite rents in the submarket contracting by 2.7% year-over-year, Willow Grove remained one of the priciest areas, with the average rate clocking in at \$2,019.
- ▶ At the other end of the spectrum, rents increased 12.2 percent, to \$1,802, in Somers Point. Other submarkets with notable gains included Camden (up 8.9% to \$1,335), Bensalem (8.8% to \$1,506) and Moorestown (8.2% to \$1,910).

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

- Greater Philadelphia added 92,000 net jobs during the past year. The figure marked a 2.8% expansion, well above the 2.0% national average. Education and health services led job gains with 42,600 positions added. Leisure and hospitality (22,600 jobs) along with professional and business services (8,100) rounded out the top three. Only trade, transportation and utilities (-600 jobs) registered losses.
- Metro Philadelphia unemployment stood at 3.8% as of February, according to BLS data. The figure was 10 basis points below the national average and 40 basis points above the state. However, Philly's standing marked an improvement over the 4.2% figure from one year prior.
- Cooper University Health Care plans to break ground on the first phase of its ambitious \$2 billion expansion project at its campus in Camden, N.J. The initial phase will include a patient tower, which will connect to the MD Anderson Cooper Cancer Center via a bridge. Construction is expected to begin later this year and is slated to wrap up by late 2026 or early 2027. The construction timeline and the scope of two subsequent phases remain open-ended.
- The Philadelphia Phillies have joined Comcast Spectacor on their \$2.5 billion development plan. The two-phase project will include two hotels and retail, office and green spaces, along with residential units.

Philadelphia Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	819	22.4%
70	Leisure and Hospitality	351	9.6%
60	Professional and Business Services	558	15.3%
90	Government	425	11.6%
15	Mining, Logging and Construction	149	4.1%
80	Other Services	145	4.0%
30	Manufacturing	231	6.3%
55	Financial Activities	245	6.7%
50	Information	57	1.6%
40	Trade, Transportation and Utilities	668	18.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Metro Philadelphia gained 17,672 residents in 2022. This amounted to a 0.3% rate of growth, while the national population saw a 0.4% increase.
- Since 2012, the metro has gained 265,545 people, with population rising 4.4%.

Philadelphia vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Philadelphia	6,079,130	6,092,403	6,215,222	6,232,894

Source: U.S. Census

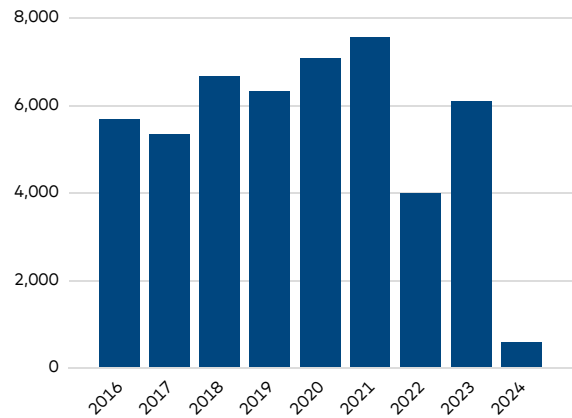
SUPPLY

- The metro had 18,249 units under construction as of March. The pipeline also included some 75,000 units in the planning and permitting stages. Most of the projects underway are Lifestyle. Roughly 8% were RBN projects and only 4% encompassed fully affordable developments. Urban submarkets are leading the way, with 11,777 units under construction, while suburban areas had just 6,472 units underway as of March.
- Philadelphia developers brought 604 units online in the first three months of 2024. Completions amounted to 0.2% of the metro's existing inventory, half the national rate of expansion. Based on Yardi Matrix's most recent forecast, a total of 6,253 units are expected to come online this year in the metro. The figure exceeds the 6,096 units delivered in 2023. Overall, the pace of completions aligns with the five-year average of 6,216 units.
- As of March, the construction pipeline in metro Philadelphia was concentrated in four urban submarkets. The North-East submarket led activity with 4,495 units underway, followed by West (1,563 units), Frankford/Kensington (1,489 units) and Center City-East (1,095 units). The Cherry Hill-Maple Shade submar-

ket led suburban construction, with 877 units underway. In total, 35 of the 80 submarkets tracked by Yardi Matrix had at least one project of 50-plus units under construction.

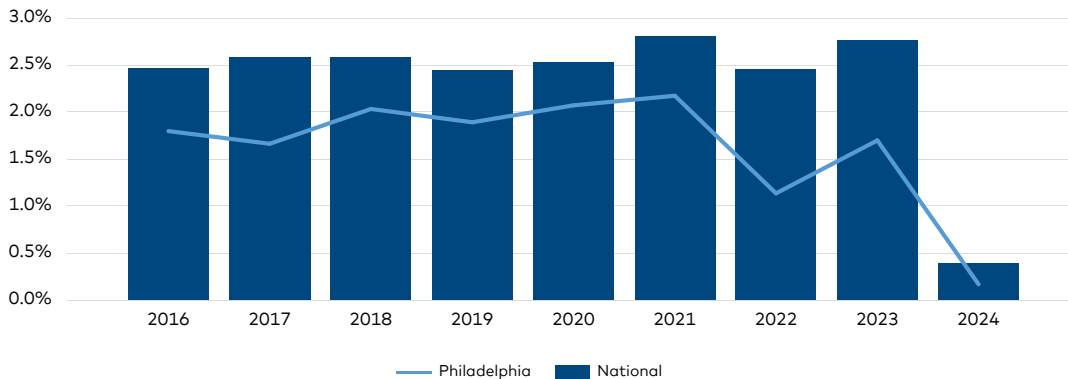
- The largest project underway as of March remained the addition of 614 rental units at Oxford Valley Mall in Langhorne, Pa. Cornerstone Tracy's two-phase project replaces the former Boscov's store and parking lot.

Philadelphia Completions (as of March 2024)



Source: Yardi Matrix

Philadelphia vs. National Completions as a Percentage of Total Stock (as of March 2024)

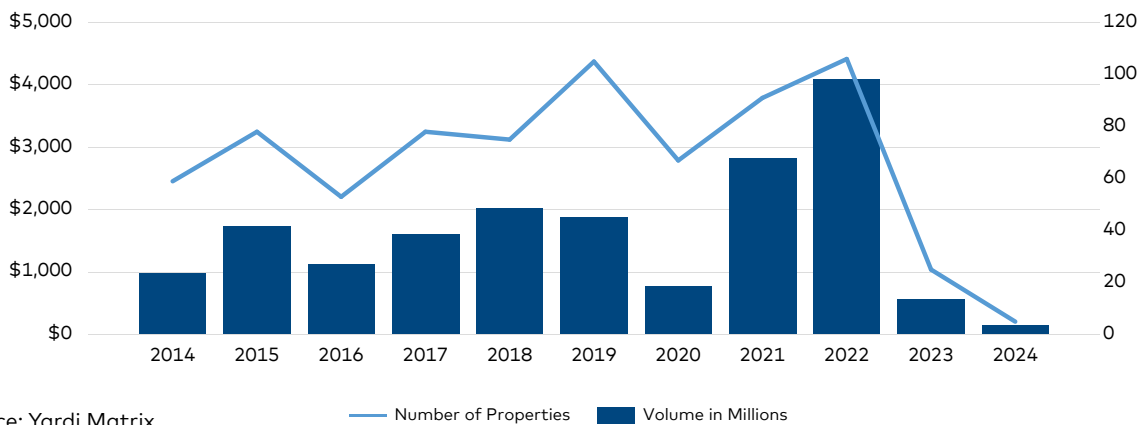


Source: Yardi Matrix

TRANSACTIONS

- ▶ In the first quarter of 2024, Philadelphia clocked \$159 million in multifamily transactions. Five properties totaling 1,061 units traded. During the same quarter of 2023, the same number of assets traded, but the sales volume was significantly lower, reaching just \$70 million.
- ▶ At the end of the first quarter, the per-unit price in Philadelphia settled at \$214,600, above the \$196,096 national average. The figure also marked an increase compared to the same period of 2023, when the average clocked in at \$174,151.
- ▶ During the first quarter, only suburban assets traded. Equus Capital Partners' acquisition of the 244-unit Madison Glen Mills in Glen Mills, Pa., fetched the highest price per unit and was the sole Lifestyle asset to trade. The buyer paid slightly over \$70 million, or \$288,049 per unit, for the 1985-completed property. Newmark facilitated the sale with a 10-year \$46.5 million Fannie Mae CMBS loan.

Philadelphia Sales Volume and Number of Properties Sold (as of March 2024)



Source: Yardi Matrix

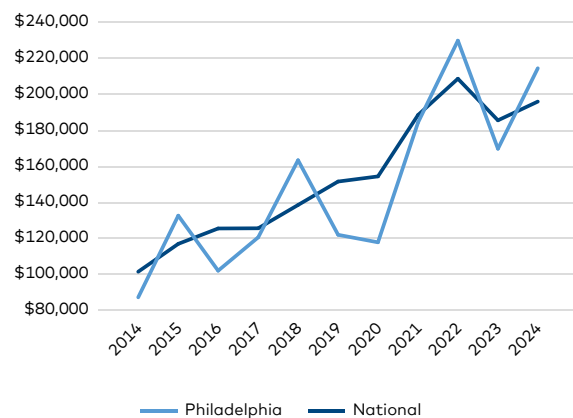
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Exton–Malvern	148
Glen Mills	144
Cherry Hill–Maple Shade	78
Wilmington–West	53
West Chester	41
Lindenwold	40
New Castle	29

Source: Yardi Matrix

¹ From April 2023 to March 2024

Philadelphia vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Self Storage Markets for Deliveries in 2023

By Agota Felhazi

Developers completed nearly 51.2 million square feet of self storage projects during the previous year nationwide, according to Yardi Matrix data. Overall construction activity was on the upswing, up 16.9% from 2022 when 43.8 million square feet were delivered. The table below showcases the leading 10 U.S. markets for self storage deliveries, based on total rentable square footage completed in 2023. The highlighted markets made up 28.8% of the total deliveries in the past year.

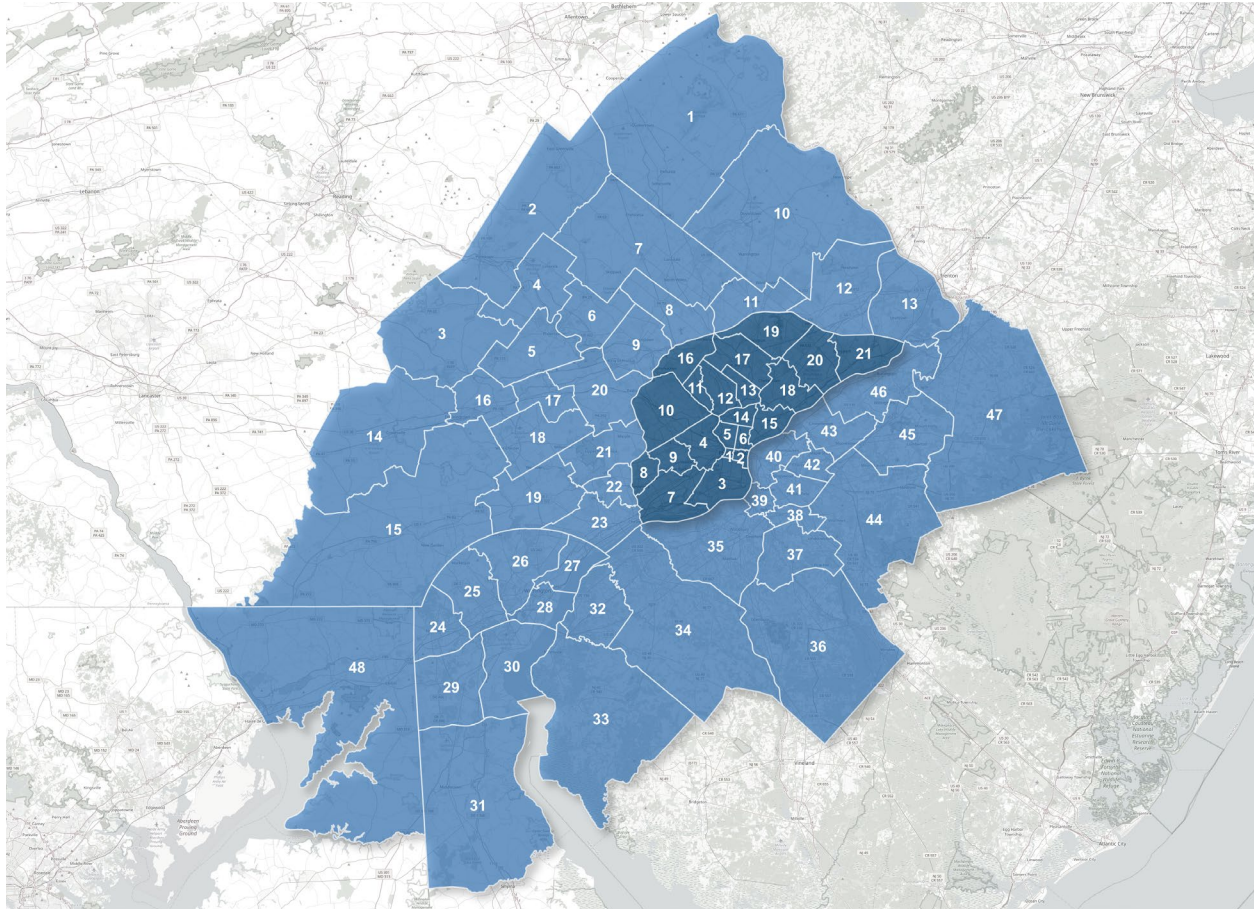
Rank	Metro	Rentable Sq. Ft. Delivered in 2023	Completions as % Stock	Rentable Sq. Ft. Delivered in 2022
1	Atlanta	2,140,014	4.2%	1,301,402
2	Dallas-Fort Worth	1,962,397	3.9%	1,335,773
3	Philadelphia	1,818,151	3.6%	589,082
4	Chicago	1,663,639	3.3%	1,042,092
5	Houston	1,318,198	2.6%	608,762
6	Los Angeles	1,247,339	2.5%	965,234
7	Phoenix	1,189,494	2.4%	1,756,928
8	Las Vegas	1,148,968	2.3%	691,892
9	New York	1,128,659	2.2%	981,933
10	Boston	1,125,246	2.2%	681,269

Philadelphia

Greater Philadelphia's self storage footprint increased by 1.8 million rentable square feet in 2023. The expansion amounted to 3.6% of the metro's existing stock. Last year's completions were on pace with the 2021 numbers, when 2 million square feet came online. However, the 2023 numbers were a substantial improvement compared to 2022, when just 589,082 square feet of space was delivered. Construction starts ramped up in 2023, compared to the previous two years. Philadelphia developers kicked off construction on 1.6 million square feet of space in 2023.



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.



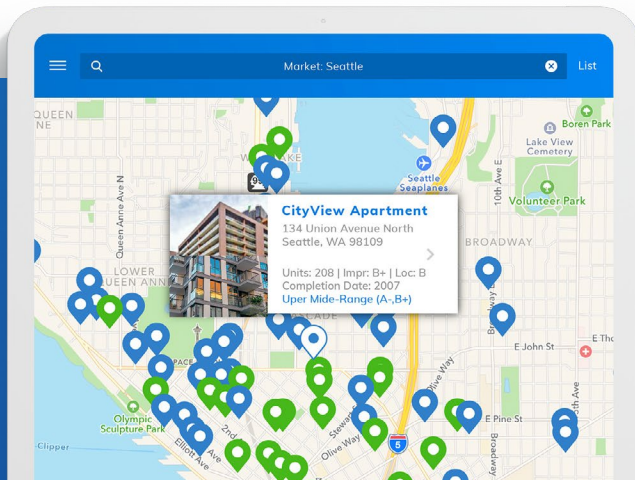
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- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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