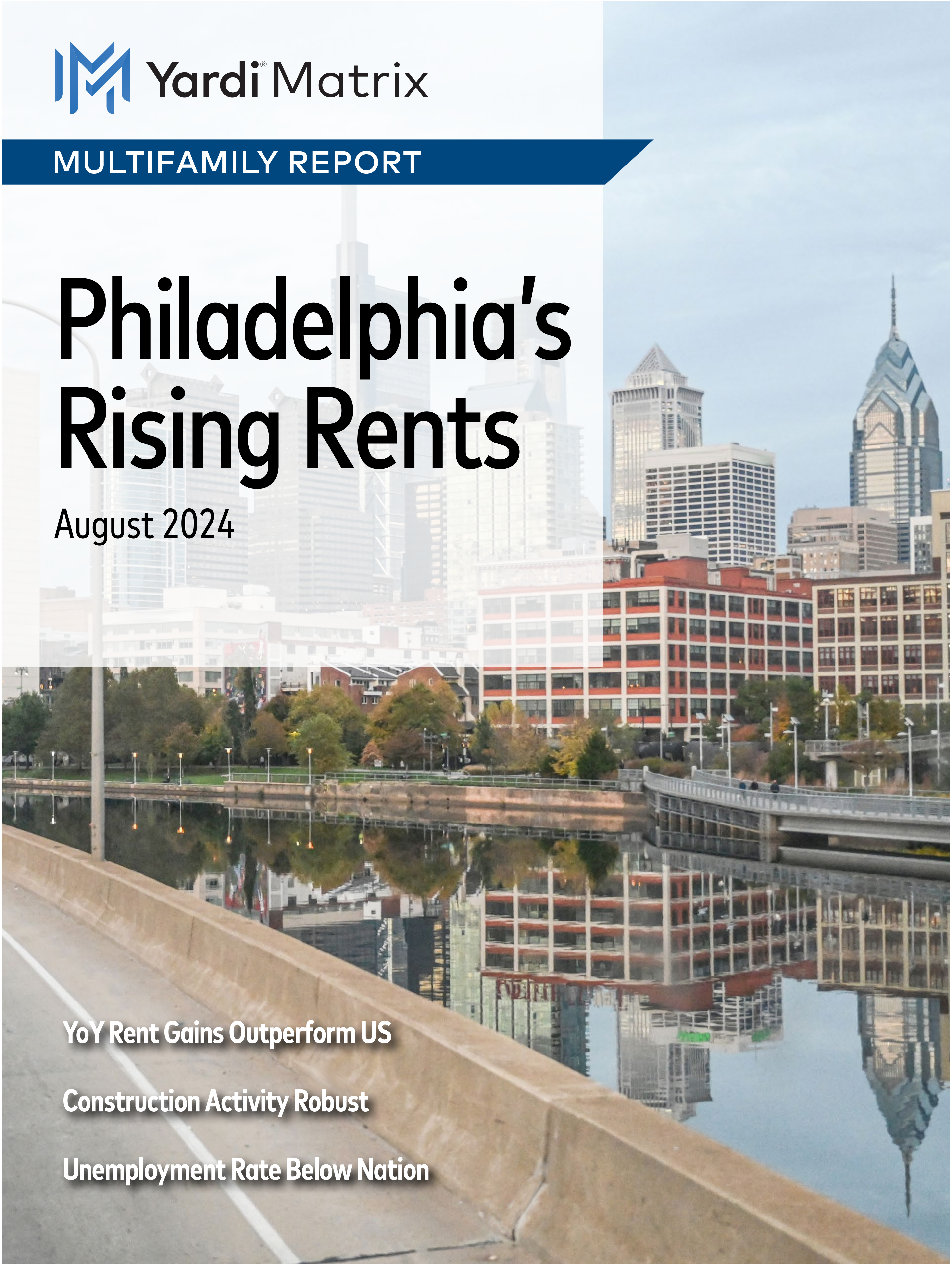
Yardi Matrix

MULTIFAMILY REPORT

Philadelphia's Rising Rents

August 2024



YoY Rent Gains Outperform US

Construction Activity Robust

Unemployment Rate Below Nation

PHILADELPHIA MULTIFAMILY

Yardi Matrix

Philadelphia's Rental Market on an Upswing

Multifamily fundamentals in Philadelphia remain healthy. Average advertised asking rents were up 2.6% on a year-over-year basis, reaching an average of $1,766 as of June. Meanwhile, the national average only saw a 0.6% increase, to $1,739. On a trailing three-month basis, the metro outperformed the U.S. average yet again, as Philadelphia's average advertised asking rents climbed 0.6%. Despite contracting 30 basis points year-over-year as of May, the metro's occupancy rate in stabilized assets was still 110 basis points ahead of the 94.5% U.S. rate.

Philadelphia's unemployment rate clocked in at 3.2% as of April, according to data from the Bureau of Labor Statistics. The figure improved 50 basis points month-over-month and was significantly below the national average. The metro's employment market added 48,100 new jobs during the 12 months ending in April. This amounted to a 1.4% expansion, on par with the national rate of growth.

During the first half of the year, developers delivered a total of 3,131 units across metro Philadelphia and had an additional 16,207 units under construction. Robust construction activity will likely put pressure on the market, as Yardi Matrix expects 6,172 units to come online by year-end.

Market Analysis | August 2024

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Recent Philadelphia Transactions

Riverworks

City: Phoenixville, Pa.
Buyer: Cantor Fitzgerald
Purchase Price: $90 MM
Price per Unit: $258,596

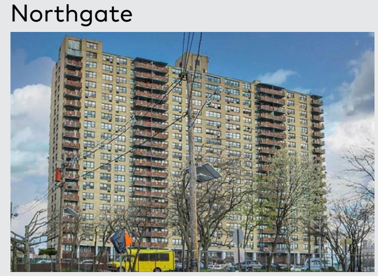
Frazer Crossing

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

Northgate

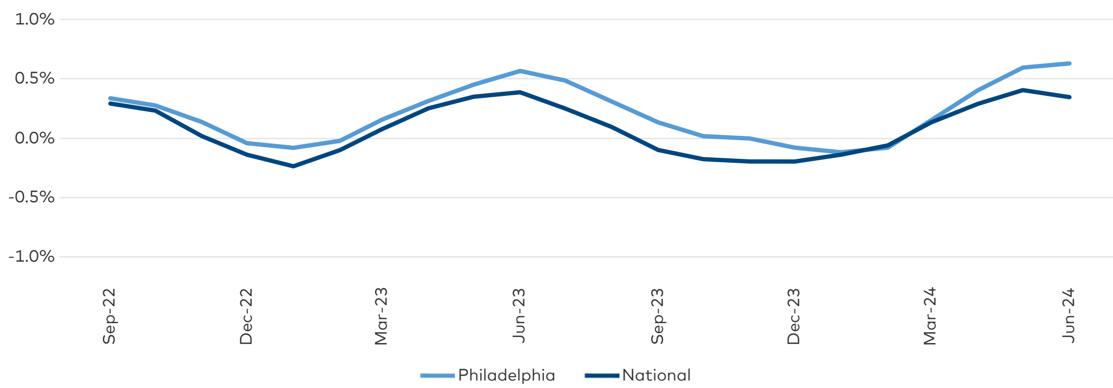


City: Camden, N.J.
Buyer: Hudson Valley Property Group
Purchase Price: $40 MM
Price per Unit: $125,000

RENT TRENDS

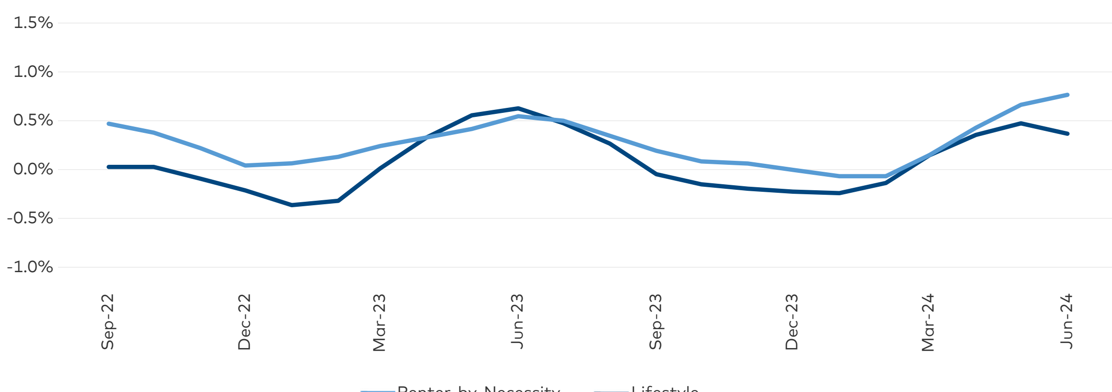
- Philadelphia's average advertised asking rent was up 0.6% on a trailing three-month (T3) basis as of June, to $1,766. The metro has posted positive rent growth since the spring season started. The national average rose 0.3% and settled at $1,739. On an annual basis, Philadelphia saw a 2.6% increase, outperforming the 0.6% U.S. rate.
- By quality segments, advertised asking rents in Renter-by-Necessity properties were up 0.8% on a T3 basis through June, while Lifestyle assets improved 0.4%. On a year-over-year basis, the gap in growth between segments is even wider, with the RBN figure posting a 3.4% increase, to $1,583, while Lifestyle rents rose 0.8%, to $2,264.
- The metro's average occupancy rate in stabilized properties was 95.6% as of May. Although it was down 30 basis points year-over-year, the figure stayed above the 94.5% national average. As with rent growth, RBN assets performed better. The rate was 95.9% in May, while the average for Lifestyle assets clocked in at 94.9%.
- Most of the 80 submarkets tracked by Yardi Matrix registered rent growth year-over-year. Despite a 1.5% contraction in advertised asking rents, Center City—West remained the most expensive submarket, boasting an average of $2,485. Ambler, a suburban area, led gains with rent growth at 14.2%, followed by Bensalem (up 9.1%) and Wyomissing (up 8.5%).

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 added 48,100 net positions during the 12 months ending in April. Even with four sectors registering losses, the metro's job growth was on par with the national growth rate of 1.4%. The education and health services sector led gains, adding 34,900 jobs (a 4.5% increase). Leisure and hospitality (10,800 jobs) and government (10,600 jobs) led gains.

- At the other end of the spectrum, mining, logging and construction (-100), information (-1,100), trade, transportation and utilities (-3,500), and professional and business services (-6,200) recorded losses.

- Philadelphia's unemployment rate dropped 50 basis points month-over-month, to 3.2% as of April, according to BLS data. The figure was 70 basis points lower than the national average and 20 basis points above the state average.

- The metro will receive an economic boost from Norwegian Cruise Line, as the company will be sailing from the Port of Philadelphia for the first time. The Norwegian Jewel will be the first cruise ship to depart from the Southport Marine Terminal Complex, which is expected to become operational in 2026. The new terminal would support tourism activity in the metro in the long term.

Philadelphia Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	819	22.9%
70	Leisure and Hospitality	349.9	9.8%
90	Government	428.5	12.0%
80	Other Services	140.8	3.9%
55	Financial Activities	244.1	6.8%
30	Manufacturing	228.7	6.4%
15	Mining, Logging and Construction	145	4.0%
50	Information	55.3	1.5%
40	Trade, Transportation and Utilities	627.5	17.5%
60	Professional and Business Services	542.5	15.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Philadelphia added 17,700 residents in 2022, accounting for 0.3% population growth. This trailed the national growth rate of 0.4%. However, since 2012, the metro has added over a quarter million new residents, for a 4.4% increase.

Philadelphia vs. National Population

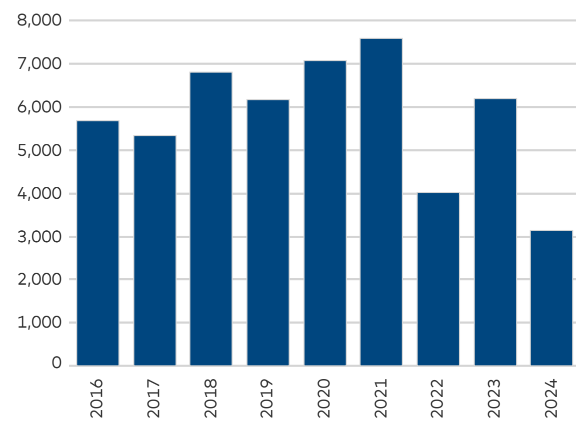
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Philadelphia Metro	6,079,130	6,092,403	6,215,222	6,232,894

Source: U.S. Census

SUPPLY

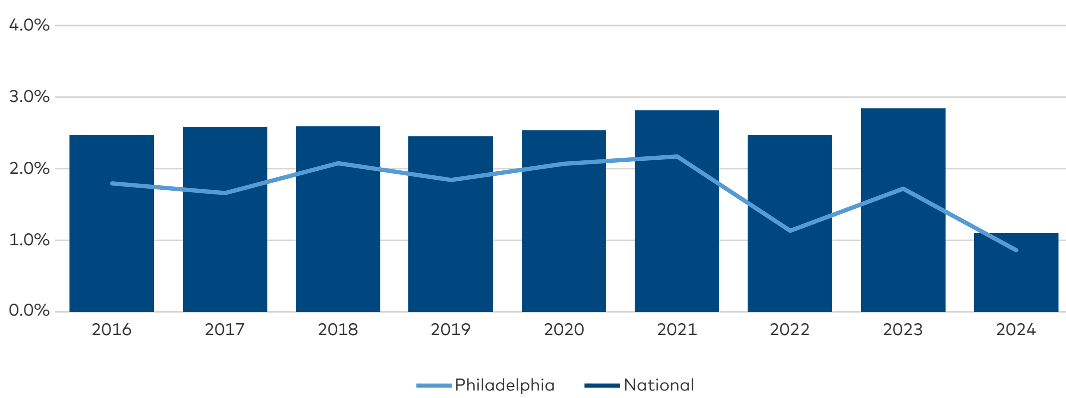
- The metro had 16,207 units under construction, as of June. Additionally, the pipeline included approximately 76,200 units in the planning and permitting stages. Most of the projects underway were Lifestyle assets, accounting for 86% of the total. Only 11.5% of projects were in the RBN segment, while just 2.5% were fully affordable units. Submarkets in urban areas led construction activity with 10,014 units, accounting for nearly two-thirds of all units under construction.
- In the first half of the year, developers added 3,131 units to the metro's multifamily inventory. Completions amounted to 0.9% of the metro's existing stock, slightly below the national rate of expansion, which was 1.1%. However, the outlook remains robust with a total of 6,172 units expected to come online by the end of the year, which would surpass the 6,189 units delivered in 2023.
- The North–East submarket continued to lead construction activity, with 3,848 units under construction. The other two areas with more than 1,000 units underway were also urban submarkets: Frankford/Kensington (1,263 units) and West (1,171 units). Among suburban submarkets, Feasterville–Langhorne took the lead with ongoing projects totaling 814 units.
- Cornerstone Tracy's 614-unit project at the Oxford Valley Mall in Langhorne, Pa., remained the largest development underway in metro Philadelphia. The 391-unit building, dubbed Atlee Square is targeting Green Globe certification.

Philadelphia Completions (as of June 2024)



Source: Yardi Matrix

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

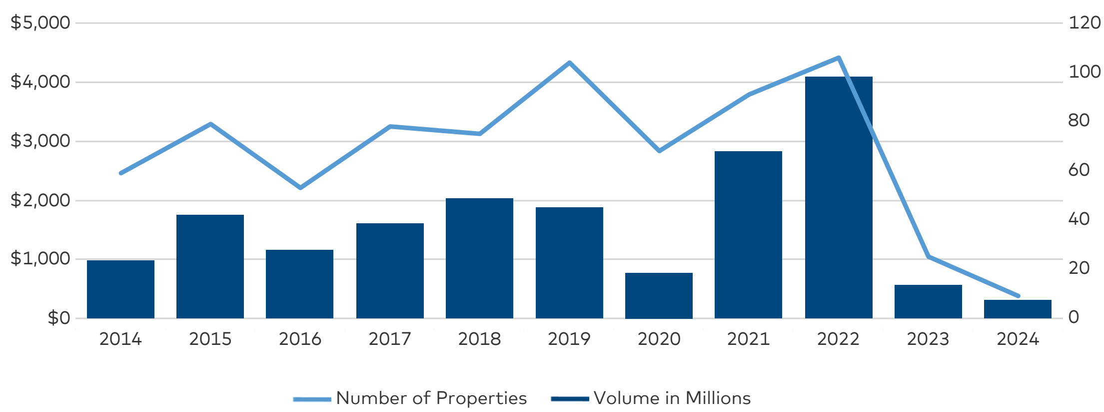


Source: Yardi Matrix

TRANSACTIONS

- In the first half of 2024, Philadelphia recorded multifamily transactions worth $310 million across nine properties, totaling 2,089 units. This marked an improvement over the same period in 2023, when 10 communities traded for a combined $238 million.
- At the end of the first half of the year, the metro's price per unit clocked in at $203,014, well above the national average of $180,183. The figure also marked an 8.5% improvement compared to the same period in 2023, when the average was $187,190.
- Cantor Fitzgerald's acquisition of the 349-unit Riverworks in the Phoenixville submarket marked the highest single-asset sale for metro Philadelphia. The buyer paid more than $90 million for the six-building complex or $258,596 per unit. JPMorgan Chase provided a $52 million acquisition loan for Cantor Fitzgerald. The property last traded in 2019 for $78 million.

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



Source: Yardi Matrix

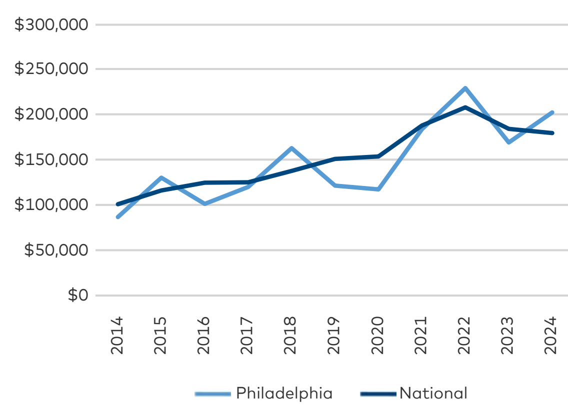
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Exton–Malvern	148
Phoenixville	90
Glen Mills	70
Wilmington–West	53
West Chester	41
Lindenwold	40
Camden	40

Source: Yardi Matrix

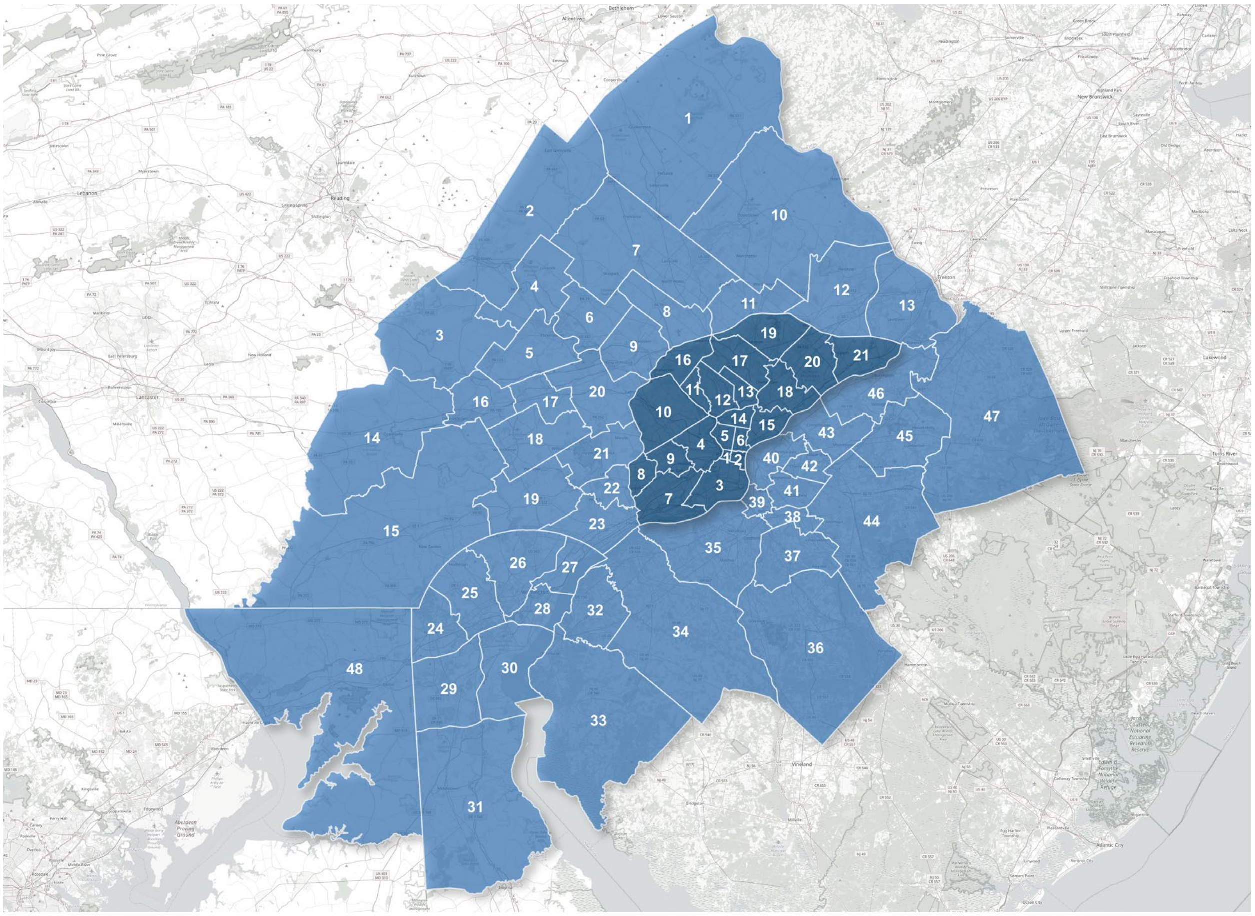
[1] From July 2023 to June 2024

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.

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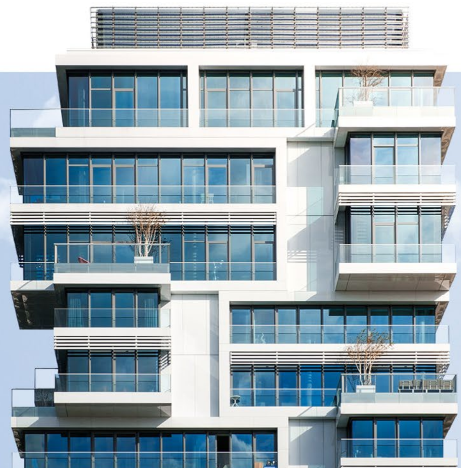
Yardi Matrix



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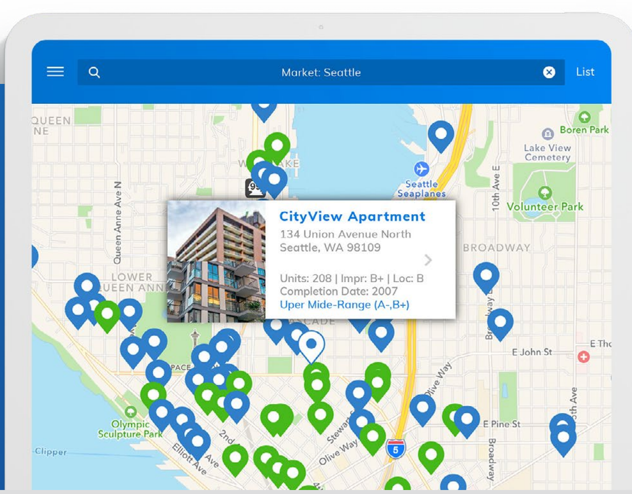
MULTIFAMILY KEY FEATURES

- 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
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **22.3+ million units**, covering over **92% of the U.S. population.**

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