

Yardi® Matrix

MULTIFAMILY REPORT

Philly's Core Drives Growth

Winter 2020

Rent Expansion Outpaces US Average

Investors Target Suburban Value-Add Deals

Moderate Deliveries Keep Occupancy Healthy



PHILADELPHIA MULTIFAMILY

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Steady Demand Outpaces Supply

Philadelphia's relatively tepid 2019 pipeline generated a spike in rents, which have been outpacing the national average since last April. Demand remained consistent, boosted by ongoing employment gains and household formation. Meanwhile, occupancy inched up 10 basis points over 12 months to 95.6% as of November.

The metro remains a top presence among the nation's economic powerhouses, thanks to its innovation economy, particularly in the biomedical sector. Professional and business services led employment growth in the 12 months ending in November with 9,100 new jobs, followed by education and health services (7,600 jobs). Additional positions are expected as new projects come online, including Penn Medicine's \$1.5 billion Pavilion, a 1.5 million-square-foot extension of the Hospital of the University of Pennsylvania, scheduled to open in 2021.

Some \$1.4 billion in multifamily assets traded in Philadelphia last year, as investors focused on value-add opportunities in suburban locations, where acquisition yields can approach 8.0% for Class C assets. Developers delivered 3,456 units last year, while another 14,200 apartments were underway as of December. Construction activity was intense in the Center City area, which holds 42% of all city jobs, as well as in the North-East. In the suburbs, Hatboro-Warminster topped the pipeline.

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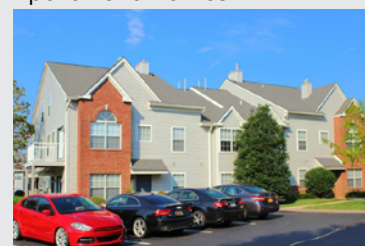
Recent Philadelphia Transactions

Indigo 301



City: King of Prussia, Pa.
Buyer: CBRE Global Investors
Purchase Price: \$117 MM
Price per Unit: \$322,314

Stonegate at Iron Ridge Apartment Homes



City: Elkton, Md.
Buyer: AION Partners
Purchase Price: \$43 MM
Price per Unit: \$166,923

Spring House at Brandywine



City: West Chester, Pa.
Buyer: Coastal Ridge Real Estate
Purchase Price: \$39 MM
Price per Unit: \$181,752

124 Market Place



City: West Chester, Pa.
Buyer: The Hankin Group
Purchase Price: \$30 MM
Price per Unit: \$338,068