PHILADELPHIA, PA
MULTIFAMILY REPORT

2024 | MID-YEAR

BERKADIA

Jobs Added / Lost*

LAST 12 MONTHS

40,400

1.3%

Unemployment*

JUNE 2024

3.9%

40 BPS YOY

**Seasonally Adjusted*

PHILADELPHIA, PA

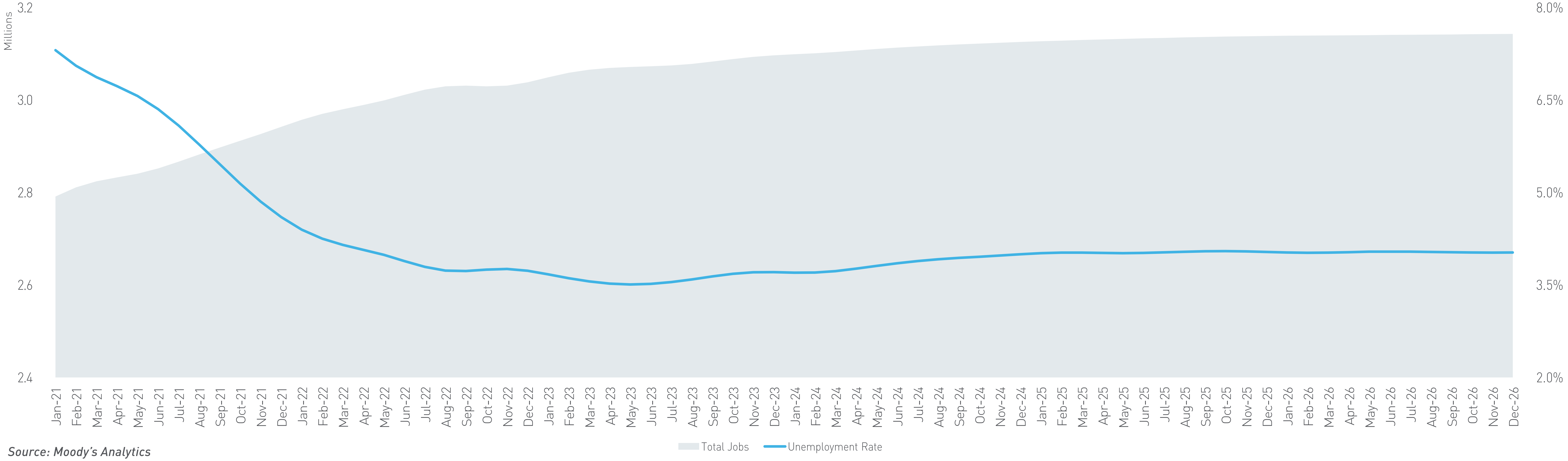
EMPLOYMENT

Greater Philadelphia businesses and institutions continued to hire at a healthy clip as seasonally adjusted total nonfarm payrolls expanded 1.3%, or by 40,400 net jobs, in the last year. The largest share of additions was in the private education and healthcare sector, with 29,300 positions added since mid-2023. The private education and healthcare sector is a pillar of the Philadelphia economy, representing approximately one out of every four jobs metrowide. Part of the sector additions in the last year came from key openings: the 19-story, 462,000-square-foot Jefferson Health Honickman Center in the Center City neighborhood; the five-floor, 230,000-square-foot patient pavilion at Riddle Hospital in the borough of Media; and the Grand View Hospital's six-story, 190,000-square-foot patient pavilion in the borough of Sellersville. Private education and healthcare hiring in the near term is expected to be robust with more healthcare projects completing by year-end 2024. The Temple Health's women's hospital in Philadelphia is scheduled to open late-2024 or early 2025. The 472,000-square-foot hospital will be the anchor of the Temple Women and Families Campus being established in Philadelphia. ChristianaCare is also adding three neighborhood hospitals across Philadelphia's suburbs by the end of next year. Overall, nonfarm employment is projected to continue to expand over the next 12 months as nearly every sector is forecast to add workers.

In the News

- Philadelphia has hundreds of city job openings
- School District of Philadelphia hiring 1,000 support staff
- Chase Bank to hire hundreds of Philadelphia-area workers in expansion

Employment Trends



Source: Moody's Analytics

2024 YEAR TO DATE

DELIVERIES
4,100 UNITS

ABSORPTION
3,935 UNITS

2024 TOTAL*

DELIVERIES
10,691 UNITS

ABSORPTION
9,777 UNITS

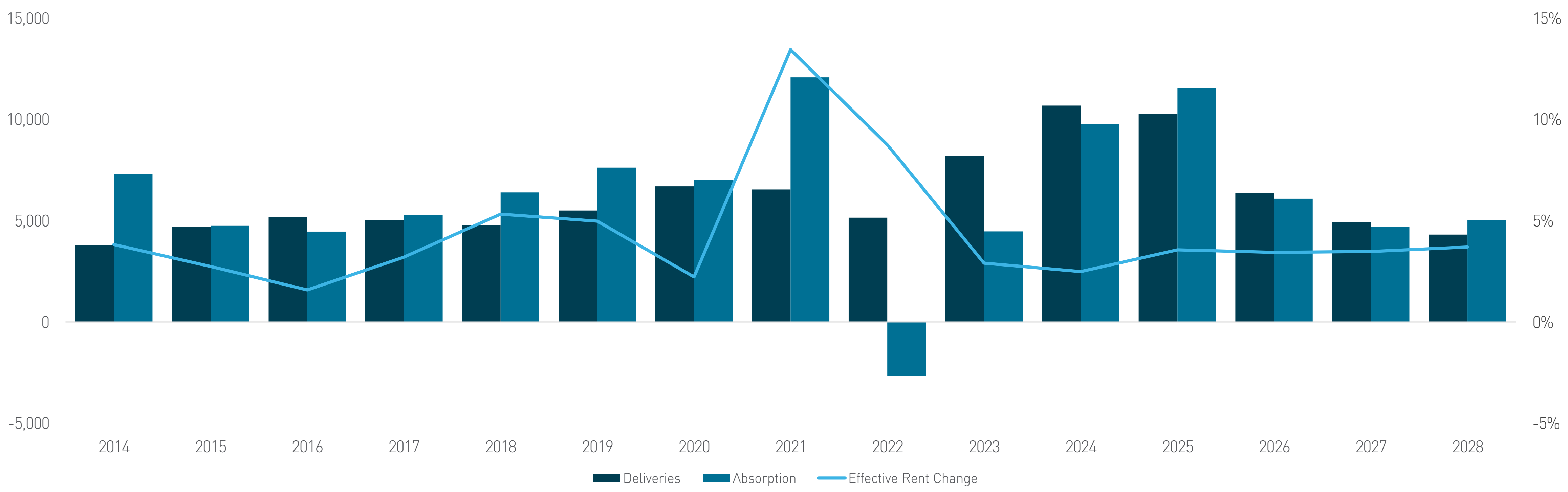
**Projected*

PHILADELPHIA, PA

DELIVERIES & ABSORPTION

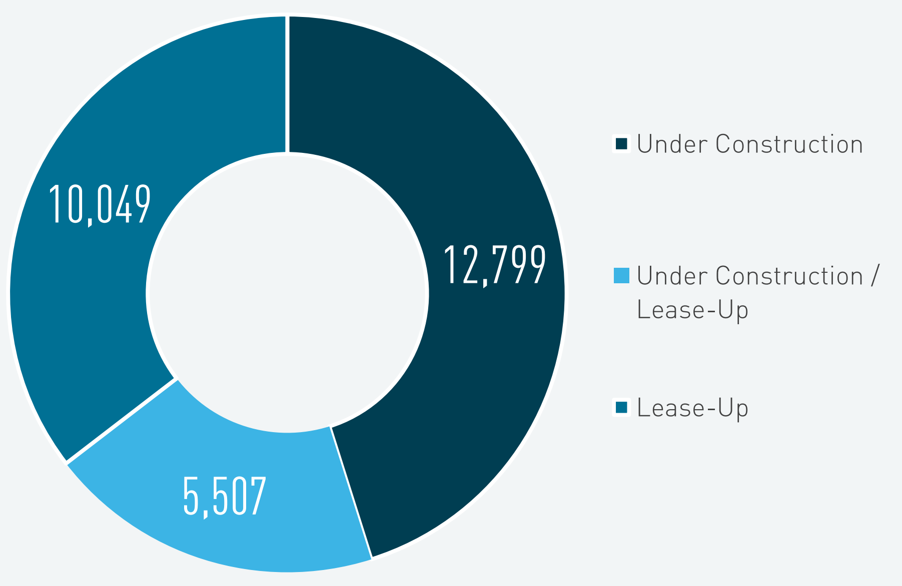
Apartment developers continued to fill the housing gap across Philadelphia as 4,100 units began lease-up in the first half of 2024. The recent deliveries were part of more than 9,700 units to come online in the last year. While additions were spread throughout Greater Philadelphia, a significant share of new inventory came online in the Center City Philadelphia submarket. The neighborhood is home to more than 201,400 residents and nearly 279,500 jobs. The largest property in the submarket to begin lease-up in the last year was the 600-unit One Thousand One. The mixed-use, 15-story property is scheduled to finish construction by mid-2025. The four-quarter total in the Center City Philadelphia submarket was up 35% from deliveries in the area one year prior. The additional inventory facilitated leasing activity as nearly 2,200 net units were absorbed across the Center City Philadelphia submarket in the last year, the highest annual absorption all submarkets across the metropolitan area. Approximately 7,900 net units were absorbed across Greater Philadelphia over the last four quarters. This more than reversed the negative absorption in the preceding year. Underpinning the positive swing in leasing was the lack of available housing for sale as households continued to grow. Approximately 9,200 houses were listed for sale in June 2024, less than half the pre-pandemic average monthly listings.

Deliveries, Absorption, & Effective Rent Change

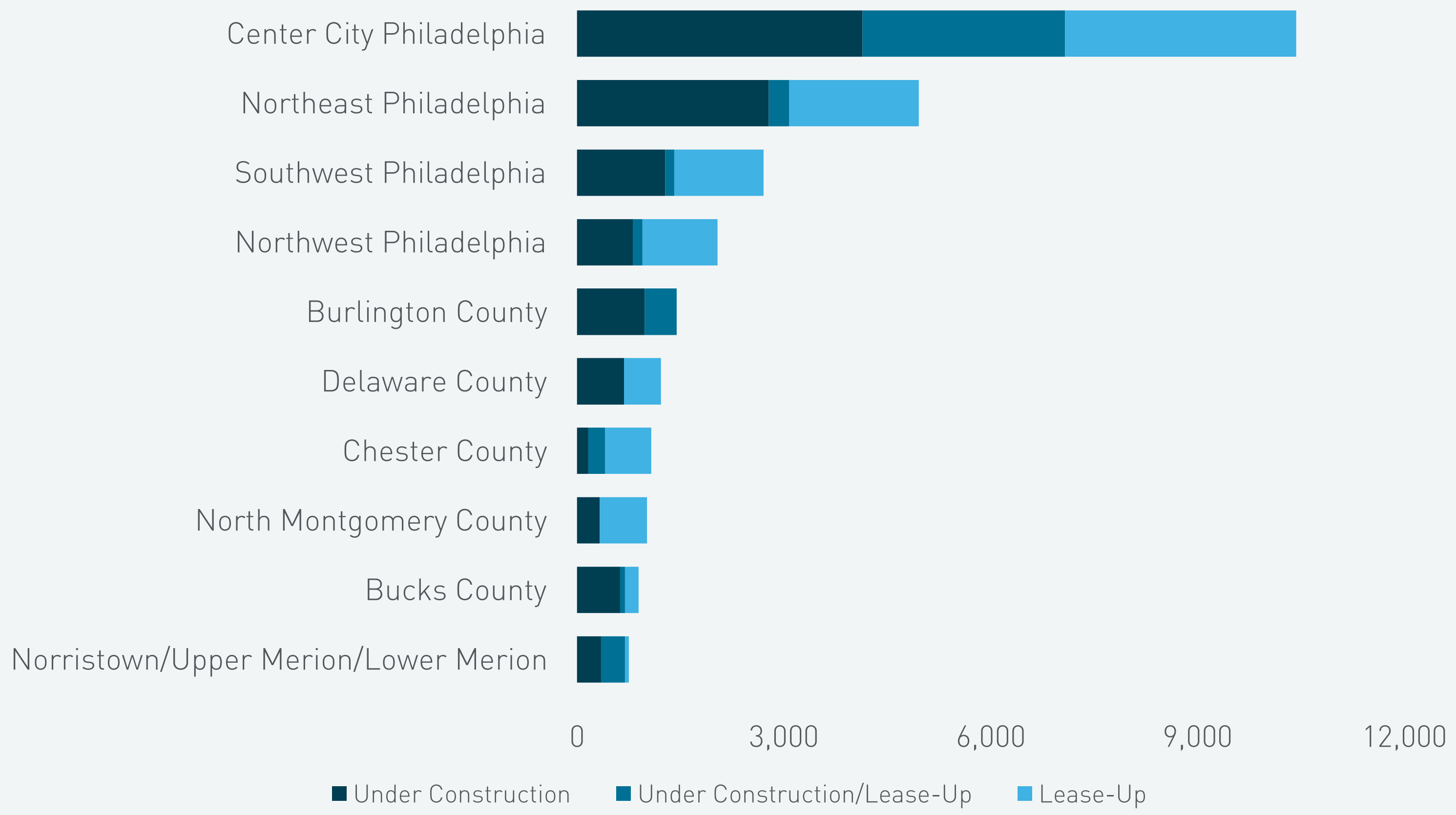


Source: RealPage

Market Pipeline



Top Submarket Pipelines



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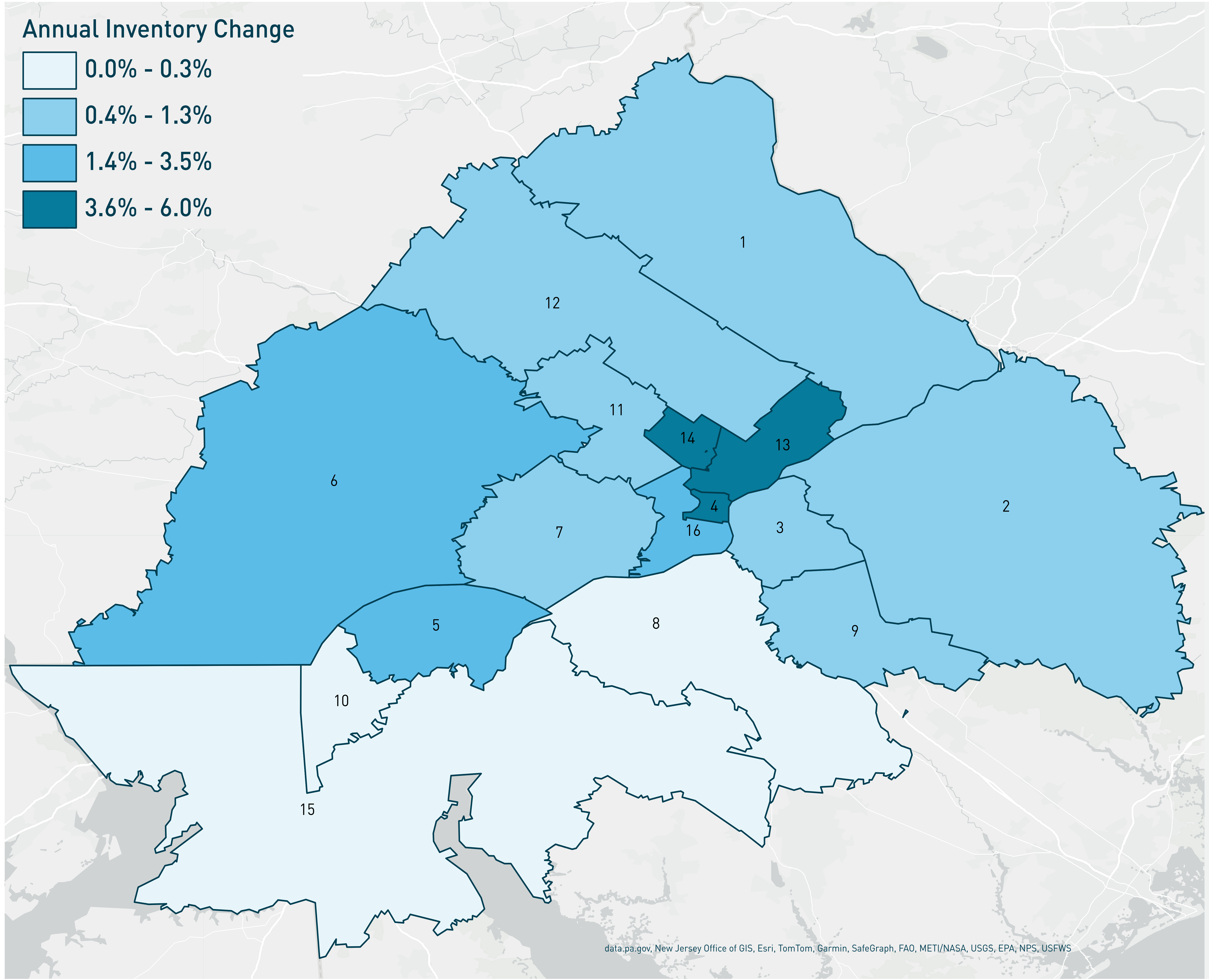
SUBMARKET MID-YEAR 2024 ANNUAL INVENTORY CHANGE

Apartment development in recent years has been focused on the Center City Philadelphia submarket. This trend continued in the last year with more apartments coming online in the submarket than any other area in Greater Philadelphia. An emerging trend was the rising development to the north of Center City as annual deliveries more than doubled in the Northeast Philadelphia and the Northwest Philadelphia submarkets. Approximately 1,900 units in Northeast Philadelphia and 1,000 units in Northwest Philadelphia were added over the last four quarters, representing 5.0% and 5.1% annual inventory growth respectively. Gentrification in many of the submarkets' neighborhoods like Fishtown, Kensington, and Southwest Germantown are attracting developers and renters alike. Temple University also provides a consistent renter base as more than 28,100 students need off-campus housing each year.



SUBMARKET BOUNDARIES

1. Bucks County
2. Burlington County
3. Camden / Cherry Hill
4. Center City Philadelphia
5. Central Wilmington
6. Chester County
7. Delaware County
8. Gloucester County
9. Lower Camden County
10. Newark
11. Norristown / Upper Merion / Lower Merion
12. North Montgomery County
13. Northeast Philadelphia
14. Northwest Philadelphia
15. Outer Wilmington
16. Southwest Philadelphia

Effective Rent

Q2 2024

$1,828

2.6% YOY

Occupancy

Q2 2024

95.4%

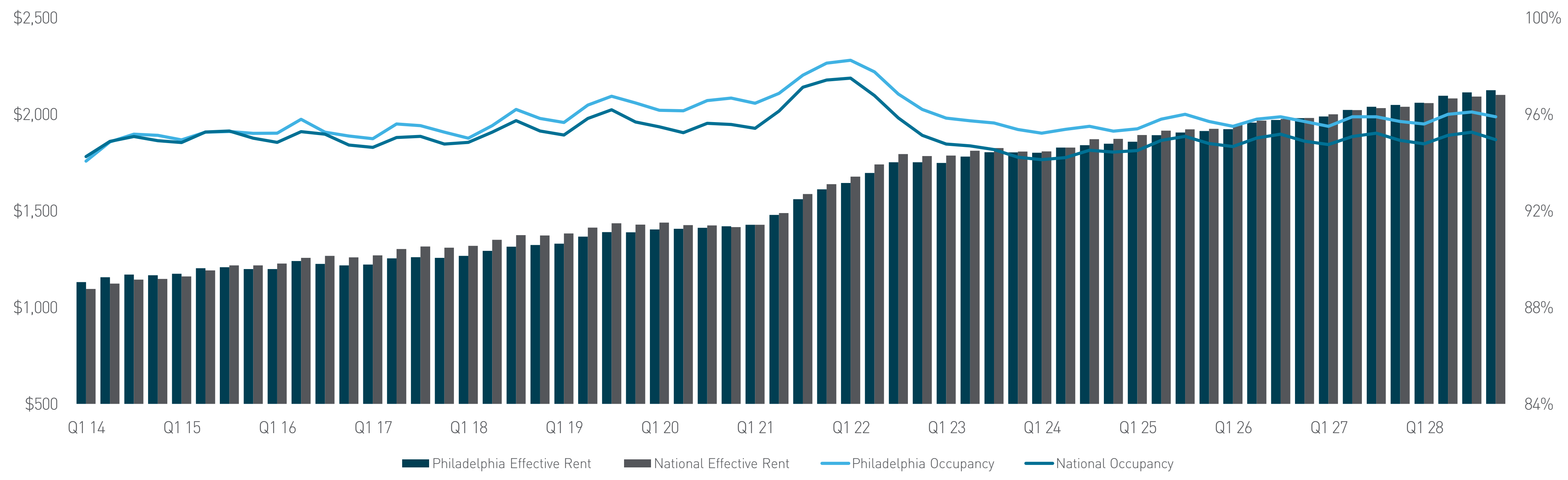
30 BPS YOY

PHILADELPHIA, PA

RENT & OCCUPANCY

The gap between renting an apartment versus homeownership in Greater Philadelphia widened in the last year. The single-family home price in the metro averaged $371,630 in the second quarter of 2024, up 9.0% from one year prior. At the same time, the average 30-year, fixed-rate mortgage rate increased 50 basis points to 7.0% in the second quarter of 2024. The combination resulted in the monthly mortgage payments reaching $2,540, significantly higher than the average effective rent of $1,828 per month in the second quarter of 2024. Rent advanced 2.6% over the last year as occupancy averaged 95.4% in the second quarter of 2024. While occupancy was down 30 basis points year over year, the recent rate was higher than the average of 95.0% in the decade prior to the pandemic. Occupancy was tightest among Class C stock, averaging 96.2% in the second quarter of 2024. This trend has become more prevalent post-pandemic as more renters seek more affordable housing. As such, a smaller share of Class C operators utilized concessions to entice renters with only 13.8% of surveyed units doing so. Across all apartment stock, the percentage of units offering concessions reached 15.9% in the second quarter of 2024, up from a 10% share one year prior. Philadelphia reflects the national trend, where more and more apartment operators are offering concessions amid increased competition.

Philadelphia vs. National Effective Rent & Occupancy



Source: RealPage

Note: Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

Submarket Performance

SUBMARKET NAME	Q2 2024 OCCUPANCY	YOY (BPS)	Q2 2024 EFFECTIVE RENT	YOY
Bucks County	96.8%	-40	$1,727	3.8%
Burlington County	96.9%	-50	$1,815	5.0%
Camden/Cherry Hill	94.4%	-30	$1,891	2.4%
Center City Philadelphia	93.8%	-90	$2,559	3.6%
Central Wilmington	95.5%	-40	$1,627	3.0%
Chester County	94.4%	-50	$1,964	-0.2%
Delaware County	96.5%	40	$1,557	2.8%
Gloucester County	95.2%	-130	$1,745	3.6%
Lower Camden County	96.7%	100	$1,565	4.2%
Newark	96.0%	-50	$1,577	2.1%
Norristown/Upper Merion/Lower Merion	94.9%	-20	$1,980	1.3%
North Montgomery County	94.9%	-50	$1,882	2.1%
Northeast Philadelphia	96.0%	-70	$1,401	3.7%
Northwest Philadelphia	94.0%	-70	$1,650	-0.5%
Outer Wilmington	94.9%	-50	$1,635	1.9%
Southwest Philadelphia	94.0%	80	$1,958	-0.6%

Measured development combined with consistent apartment demand led to Burlington County ranking among the best performing submarkets in Greater Philadelphia during the second quarter of 2024. The submarket's apartment occupancy averaged 96.9%, the highest occupancy rate across the market in the second quarter of 2024. Contributing to the healthy occupancy rate in Burlington County was only 1.2% inventory growth in the last year as annual net absorption nearly reached 200 units and 55.5% of renters renewed their leases in the second quarter of 2024. This underpinned the confidence of apartment operators in the submarket to raise rents. At an average of $1,815 in the second quarter of 2024, month effective rent advanced 5.0% from one year prior. It was the largest annual increase in rent across the market and an acceleration from 3.5% growth in the submarket during the year prior.

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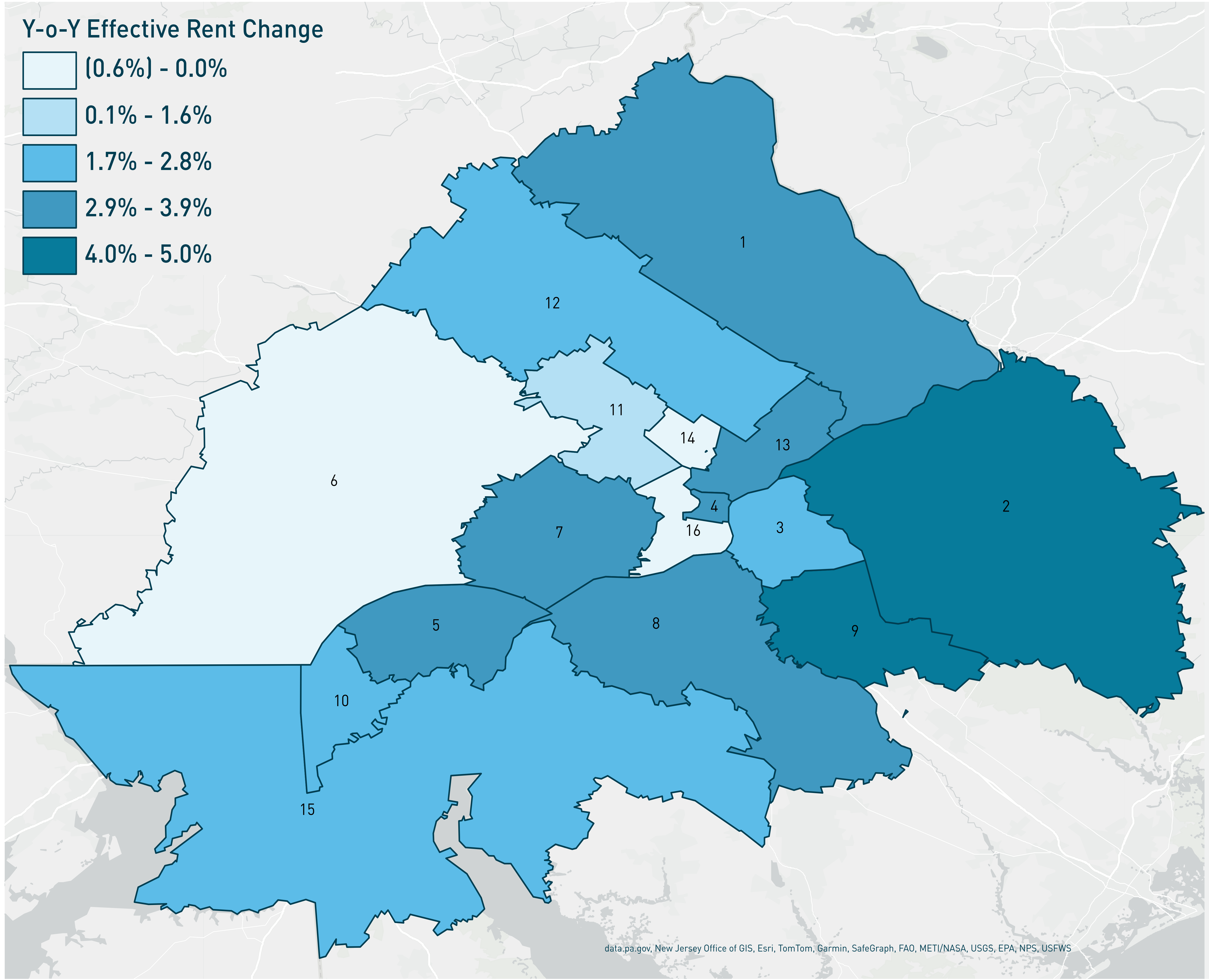
SUBMARKET MID-YEAR 2024 ANNUAL RENT CHANGE



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PHILADELPHIA, PA

SALES

2024 Year to Date*

VOLUME
$393.5M

PRICE PER UNIT (AVG)
$266,021

TRANSACTIONS
4

CAP RATE (AVG)
5.9%

What's Trading?*

UNITS (AVG)
414

YEAR BUILT (AVG)
1990s

BUILDINGS (AVG)
23

ACRES (AVG)
21.80

Top Buyers*

BUYER	LOCATION
Cantor Commercial RE Lending	New York, NY
Equus Capital Partners	Newton Square, PA
Balfour Beatty	London, LDN
Colony Hills Capital	Wilbraham, MA
Morgan Properties	King of Prussia, PA

Top Sellers*

SELLER	LOCATION
Pantzer Properties	New York, NY
Investcorp	Manama, BH
REEP Equity	San Antonio, TX
DePaul Group	Blue Bell, PA

Source: MSCI Real Capital Analytics
**$50m+*