



SPRING 2020  
**MARKET INSIGHT  
REPORT**

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PHILADELPHIA  
PENNSYLVANIA, MSA

GREYSTONE

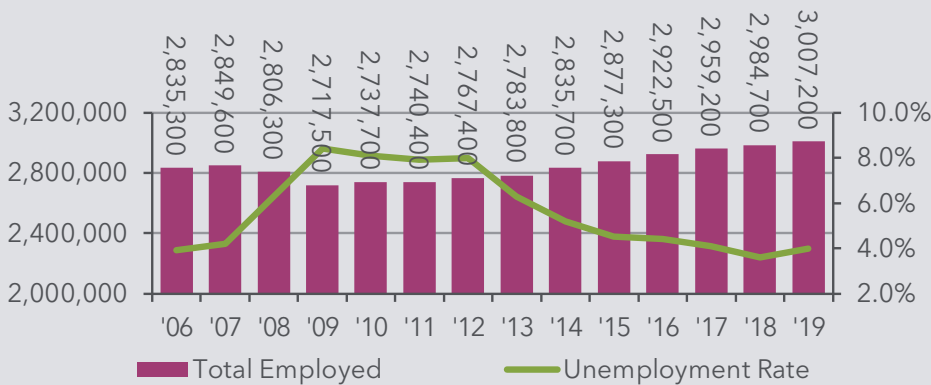
# EMPLOYMENT / UNEMPLOYMENT

The Philadelphia-Camden-Wilmington metro economy concluded its 10th-consecutive year of expansion in 2019, with an employment growth rate of 0.8% on the creation of 22,500 jobs. The region’s labor force expanded at a quicker pace, at 2.5 times greater, or 2.0%. This was due in part to a rising population, one increasingly buoyed by millennials moving to the city for work. A report in late 2019 by Glassdoor revealed that Philadelphia was one of the three top U.S. cities for job openings, just behind Boston and ahead of Atlanta. Philadelphia has now experienced 10 years of consistent population growth. Immigration is leading the charge and now accounts for a lion’s share of the population growth in metros such as Philadelphia, New York, and Chicago.

Center City is a prime driver of Philadelphia’s economy, holding 42% of city jobs. Positioned at the center of a multimodal regional system, including rapid transit lines, trolley lines, and 29 bus routes, transit brings nearly 300,000 passengers downtown every weekday. Public transit makes downtown density possible and

enables more than one million residents of the city and surrounding counties to live within one mile of a rail station. In University City, large-scale investment continues with the University of Pennsylvania Health System’s \$1.5 billion patient Pavilion, which is set to open during the summer of 2021. The 17-story Pavilion will house 500 private patient rooms, 47 operating rooms, and a 61-room emergency department. About 1,000 people are working on the Pavilion project, with 850 construction workers on site. The city is beginning to reap the benefits of a number of major startup incubators established in collaboration with Penn and Drexel Universities, including Pennovation Works and Cambridge Innovation Center’s new office at 3675 Market. Companies setting up offices in University City or the Navy Yard to collaborate with local research institutions include Northern NJ-based Amicus Therapeutics, which opened a 200-person office in University City in late 2019, and San Diego-based cancer therapy research firm Iovance Therapeutics, which is opening a Navy Yard facility in 2021.

**PHILADELPHIA MSA  
EMPLOYMENT / UNEMPLOYMENT**



Source: Bureau of Labor. All annual figures through December.

**6,133,005** EST.  
+0.3% ANNUAL GROWTH

PHILADELPHIA MSA  
2020 POPULATION

**\$74,183** EST.

PHILADELPHIA MSA  
MEDIAN HOUSEHOLD INCOME

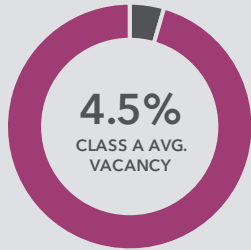
**107.5**

PHILADELPHIA MSA  
COST OF LIVING INDEX

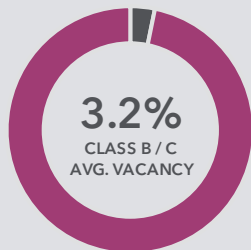
U.S. Avg. = 100.0

# RENTAL MARKET

 **\$1,721**  
CLASS A AVG. RENT



 **\$1,103**  
CLASS B / C AVG. RENT



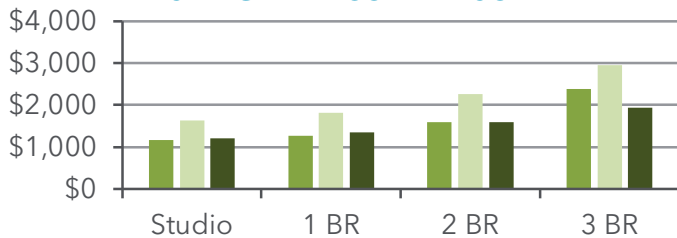
Asking rent across the Philadelphia metro area advanced by 0.8% during the fourth quarter of 2019, and was up 4.0% for the year, rising to a new record high of \$1,443. The increase outpaced that of the Northeast (3.1%) and the U.S. (3.7%). The run of gains also has now extended to nearly 10 years (39 quarters), in which average asking rent has risen by a total of 41.5%, or an average of 3.5% annually.

Mean unit prices in 2019 for the metro area were: studios \$1,160, one bedrooms \$1,272, two bedrooms \$1,589, and three bedrooms \$2,384.

Effective rents, which exclude the value of concessions offered to prospective tenants, also climbed 4.0% in 2019 to an average of \$1,378. The declining value of concessions was in correlation to the market's increasing competitiveness; overall vacancy retracted 40 basis points YoY to 3.9% by year end. The Center City submarket, the region's largest and fastest growing, had a vacancy rate of 7.3% at close of 2019, while its average rent held a premium of 75% above the metro average, at \$2,532.

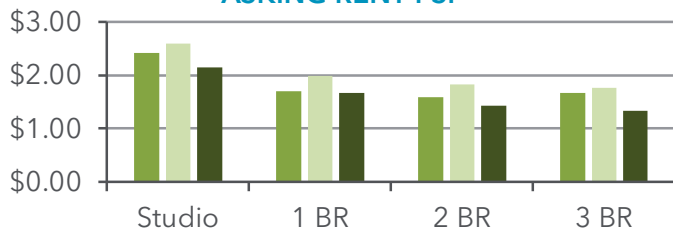
The next few years show continued strength in fundamentals for the Philadelphia metro area, with overall vacancy at 4.3% or below through 2022, and average asking rent rising 4.0% in 2020 and 3.2% in 2021.

**ASKING RENT COMPARISON**



Source: Reis, 4Q 2019

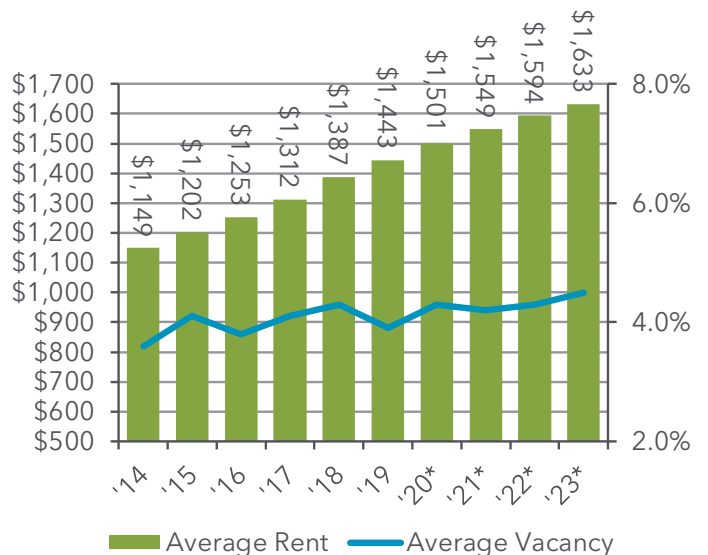
**ASKING RENT PSF**



Source: Reis, 4Q 2019

■ Philadelphia ■ Northeast ■ U.S.

**PHILADELPHIA MSA APARTMENT MARKET AVERAGE RENT / VACANCY**



Source: Reis, All annual figures year end, \*Projected

# SUBMARKET CONSTRUCTION



## PRESIDENTIAL CITY

Post Brothers has lined up a \$290 million loan to refinance Presidential City, a 1,015-unit apartment complex on City Avenue in Philadelphia, according to the Business Journal. The 10-year loan carries a fixed-rate of 4.3%. The property is 97.0% occupied and Post Brothers invested \$100 million to totally renovate the four-building multifamily property. The four, 12-story buildings were built during the 1950s. The four-year redevelopment completed in 2019 and involved re-skinning the façades, reconfiguring space for retail, adding nearly 20,000 square feet of amenity spaces, and renovating each unit from top to bottom with luxury amenities. Also added was the Sora Pool Club with three pools, grilling stations, cabanas, yoga and Zen gardens, a fitness center, an outdoor deck, and tennis courts.

Philadelphia remains supply constrained, and after a surge to apartment inventory of 3.5% in 2020 (7,796 units), completed construction volume is projected to taper off, with only 5,137 units to deliver from 2021-2023.

The cost of living (COL) in Philadelphia remains well-below that of neighboring metro areas. Philadelphia city COL is 101.2, the New York metro is 147.5, and Washington D.C. is 152.1. The city's relative affordability has enticed investors to rehab housing, build new housing, and open new businesses. A new report from the National Community Reinvestment Coalition, a Washington, D.C.-based policy group, has found that from 2000 to 2013, 57 Census tracts in Philadelphia became gentrified, the fourth-highest figure in the country during that span, behind only New York, Los Angeles, and Washington, D.C. In addition to its own vibrant job market, a growing number of regional employers are allowing employees to work from home, so many in-home workers are navigating to the lower-cost neighborhoods of Philadelphia. Millennials in particular have been drawn to fast-changing neighborhoods such as Fishtown, Kensington, Center City West, Manayunk, and Northern Liberties, among others.

SUBMARKET	COMPLETED	UNDER CONSTRUCTION	PLANNED / PROPOSED
Center City	1,382	1,932	9,688
North / Frankford	411	954	2,458
West Philadelphia	154	415	1,991
Roxboro / Chestnut	0	0	267
Germantown	0	0	296
Olney / Oak Lane	0	0	111
Torresdale / Bensalem	0	0	780
Lower Bucks County	0	0	600
Upper / Lower Merion	418	638	1,415
Norristown / Plymouth	0	0	1,501
Moreland / Abington	600	0	444
Lansdale / Gwynedd	181	804	280
Central Chester	0	1,327	1,093
Upper Montgomery	12	0	1,747
West Chester	0	14	349
E Delaware County	0	0	142
W Delaware County	192	0	226

Source: Reis, 4Q 2019, Partial Submarket List, \*Completed Construction 3Q 2018 - 4Q 2019

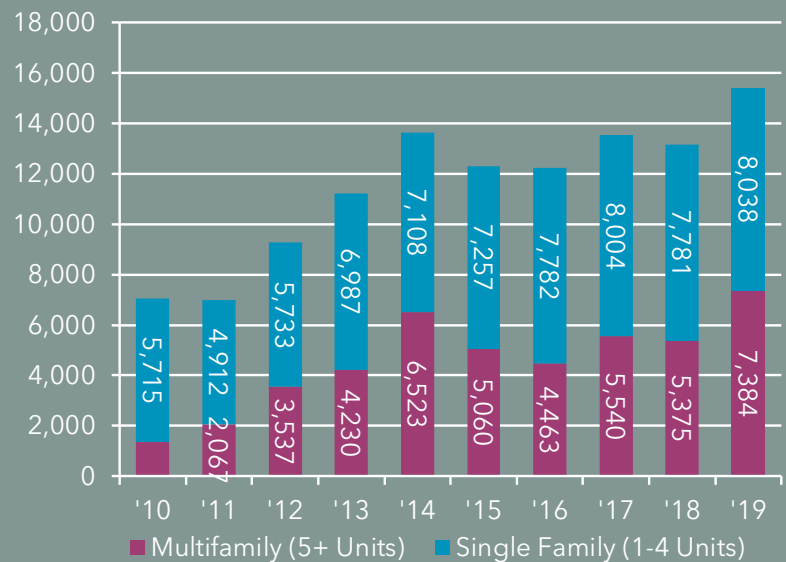
# PERMITS

The Philadelphia metro multifamily permit count for 2019 increased 37% from the previous year's total, to 7,384 units. This marked the metro's highest annual total in at least a decade. Philadelphia added to existing inventory at a pace slightly below the Northeast (1.3%) and U.S. (1.6%), with a net increase of 1.2% in 2019. The five-year forecast calls for inventory growth annualized at 1.2% for Philadelphia, remaining below the Northeast (1.5%) and U.S. (1.4%). Of the current planned and proposed multifamily units, 30% is condominium, townhouse, or other non market-rate rental.

Reflective of the elevated permit totals, tear-downs are also rising at a rapid pace as redevelopment and investment surge in the city, seeking to replace obsolescent structures. Philadelphia real estate developers applied to tear down more buildings in 2019 than any other year on recent record, with more than 543 demolition permits issued to private developers in 2019, up from 514 in 2018. City government, which is charged with tearing down neglected structures, requested another 398 permits in 2019, bringing the total to 941. Developers are now the primary force for tear-downs, with their participation up 255% since 2009.

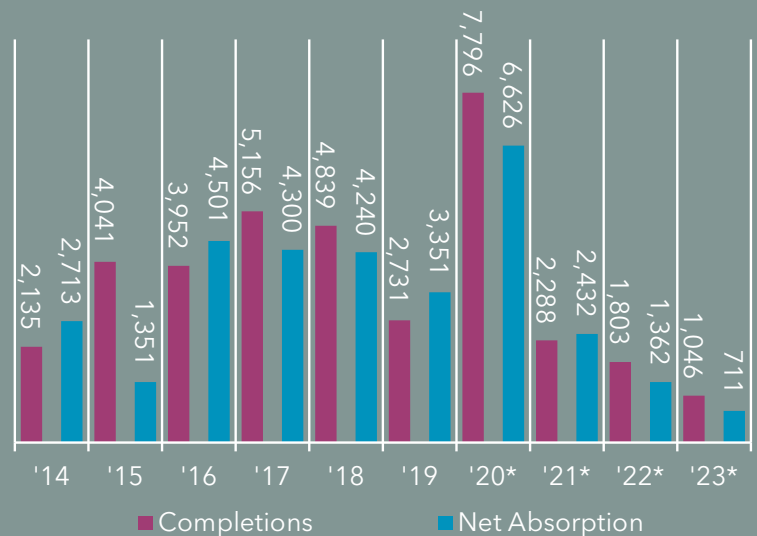
Single-family permits for 8,038 homes were issued in 2019, a slight uptick from 2018's tally. The median sold price rose 7.0% YoY from \$256,000 to \$275,000, while for-sale inventory plunged 32% YoY. Months supply was a mere 2.1 months, tightening 36% YoY, and showcasing the region's constrained supply.

**TOTAL RESIDENTIAL BUILDING PERMITS  
PHILADELPHIA METRO AREA**



Source: U.S. Census, Multifamily Includes Condos

**PHILADELPHIA MSA APARTMENT MARKET  
COMPLETIONS / NET ABSORPTION**



Source: Reis. All figures are annual totals. \*Projected

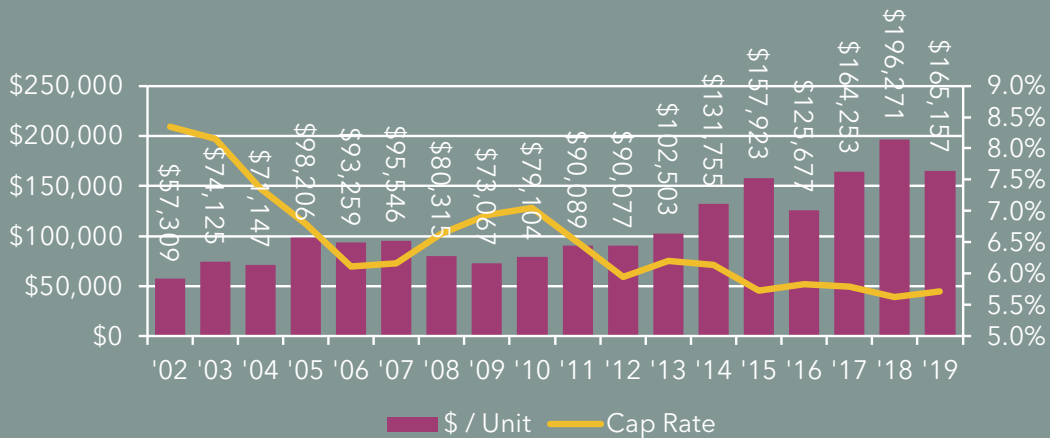
# AVERAGE SALES

A record number of transactions in 2019 propelled sales volume to \$2.67 billion in the Philadelphia metro, which also set a record-high, rising from \$2.52 billion in 2018. The 110 recorded sales was up from 2018's tally of 98.

Philadelphia's sound operating fundamentals and relatively high yields for a supply-constrained market continues to draw investor interest. Capital continues to flow in from private equity investors primarily based in the New York City and Washington, D.C. areas, but also from other top-tier markets around the country. The vast majority of cap rates were in the range of 5%-6% in 2019 for deals over \$5 million, which is above other coastal cities including New York, the District of Columbia, and Los Angeles, where cap rates have averaged in the mid-4% range.

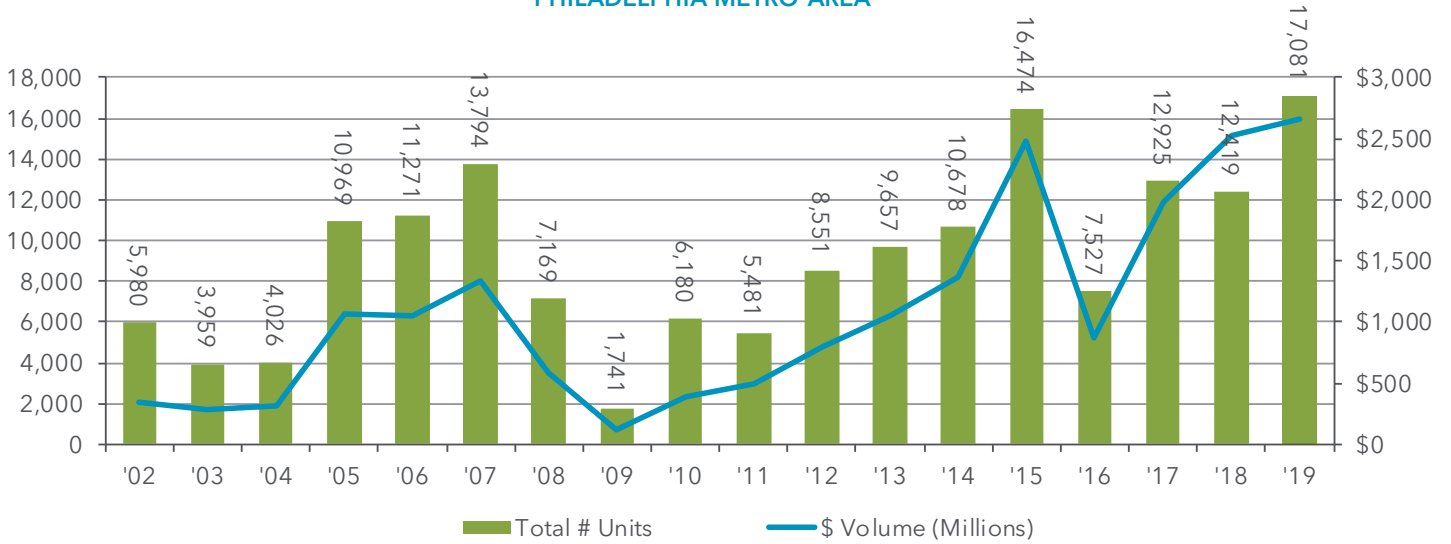
New York's apartment market remains complicated, with comprehensive statewide rent control measures passed in late 2019. One of the effects of which has been increased interest in Philadelphia from New York-based investors, or from those who had New York on their radar. Even prior to the rent control measures, interest from locally-based investors has been high. CoStar reports that three Lakewood, NJ-based firms have accounted for 14 major Philadelphia-area acquisitions totaling \$800 million since the beginning of 2016.

PHILADELPHIA MSA AVERAGE SALES PPU / CAP RATE



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

**APARTMENT SALES TRANSACTIONS  
PHILADELPHIA METRO AREA**



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

# GREYSTONE TRANSACTION ACTIVITY



**124 MARKETPLACE**  
West Chester, PA

Property Type:	Mixed-Use
Number of Units:	92
Sale Price:	\$29,750,000
Price per Unit:	\$323,370
Sale Date:	September, 2019



**APARTMENTS @1220**  
Philadelphia, PA

Property Type:	Student Housing
Number of Units:	300
Sale Price:	\$28,141,500
Price per Unit:	\$93,805
Sale Date:	March, 2019



**SHIRT CORNER APARTMENTS**  
Philadelphia, PA

Property Type:	Mixed-Use
Number of Units:	63
Sale Price:	\$22,000,000
Price per Unit:	\$349,206
Sale Date:	December, 2019

GREYSTONE

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Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Censusreporter.org; Philadelphia magazine; The Philadelphia Inquirer; GlobeSt; Plan Philly; Long & Foster; Philadelphia Business Journal; Brookings Institution

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