

GREYSTONE



PHILADELPHIA

PENNSYLVANIA, MSA

MARKET INSIGHT REPORT

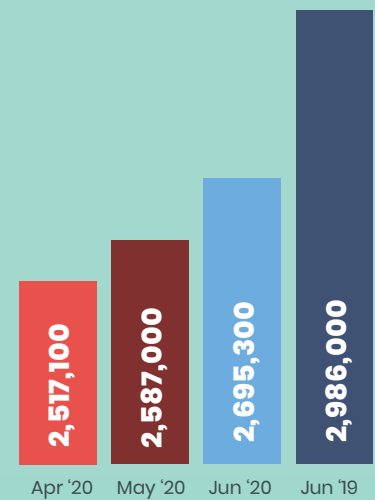
FALL **2020**

Total nonfarm employment for the Philadelphia-Camden-Wilmington Metropolitan Statistical Area stood at 2,695,300 in June 2020, down 290,700 over the year, the U.S. Bureau of Labor Statistics has reported. Philadelphia's 9.7% rate of job loss was higher than the national decline of 8.7%, but below that of other Northeast economic hubs, including Boston (-14.0%) and New York (-15.4%). The Philadelphia metro's unemployment rate was 14.0% in June, ranking high at no. 344 of 389 U.S. metros, but again below Boston (16.8%) and New York (17.0%). The U.S. unemployment rate was 11.1% for comparison.

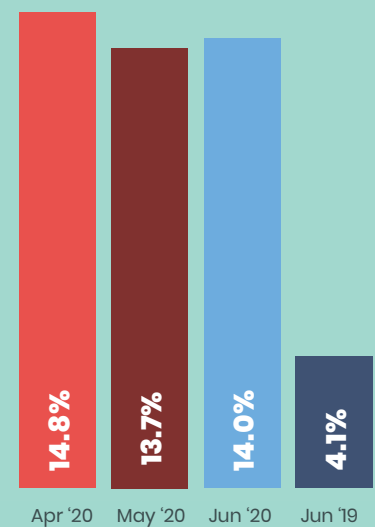
Employment in Philadelphia's leisure and hospitality sector fell sharply (-121,300) for the 12 months ending in June, the largest loss of jobs among local major industry sectors. This 41.6% rate of job loss was significantly higher than the national rate of -27.1%. The leisure and hospitality sector alone accounted for 58.3% of all jobs lost for Philadelphia, indicating more strength in its core business sectors of information, financial activities, education and health services, and even manufacturing, which held up very well with only a 4.9% retraction.

The Philadelphia region's prominent recent offices leases - new and renewal - have included those from Spark Therapeutics, Biotelemetry, Pearson VUE (computer bases testing), Vygon (medical devices), Passage Bio, and The University of Pennsylvania, which added space at 3535 Market St, the 20-story medical office building located within the University Philadelphia Science Center. Target signed the Philadelphia market's largest industrial deal of the second quarter when it agreed to lease a 1.1 million-square-foot distribution center currently underway in the new Logan North Industrial Park. Target's investment is expected to create approximately 1,300 jobs for the region with a completion for mid-2021 planned.

Total Employment



Unemployment



Metro Area Employment (Thousands)	June 2020	Change from June 2019	
		Number	Percent
Total Nonfarm	2,695.3	-290.7	-9.7
Mining, Logging, and Construction	106.6	-16.3	-13.3
Manufacturing	176.2	-9.0	-4.9
Trade, Transportation, and Utilities	480.7	-46.7	-8.9
Information	47.0	-2.8	-5.6
Financial Activities	210.4	-8.4	-3.8
Professional and Business Services	447.8	-26.8	-5.6
Education and Health Services	625.4	-30.6	-4.7
Leisure and Hospitality	170.2	-121.3	-41.6
Other Services	98.6	-26.4	-21.1
Government	332.4	-2.4	-0.7

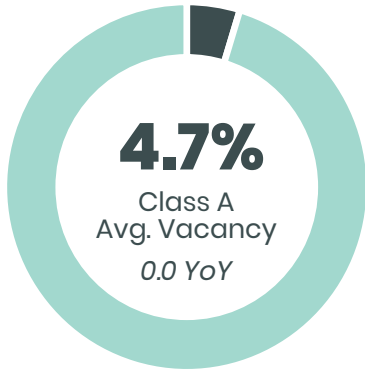
Source: U.S. BLS, Current Employment Statistics

RENTAL MARKET



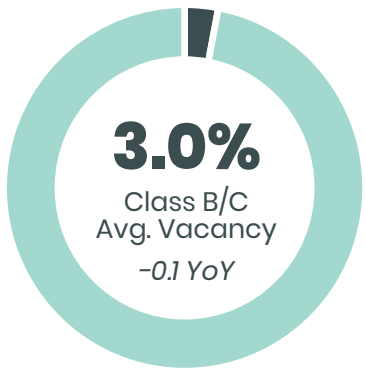
\$1,723

Class A Avg. Rent
+1.9% YoY



\$1,112

Class B/C Avg. Rent
+2.6% YoY



Mean Unit Prices 2Q 2020

\$1,156

Studios

\$1,280

One Bedrooms

\$1,600

Two Bedrooms

\$2,080

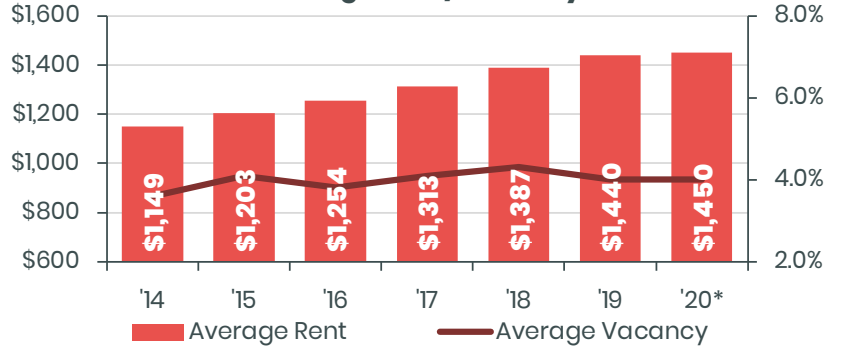
Three Bedrooms

+1.4% YoY 2Q

Average Rent Increase
From \$1,430 to \$1,450

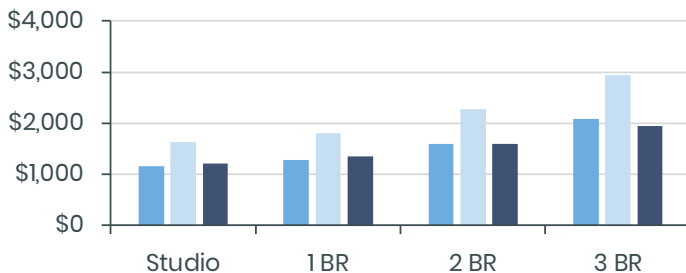
- The second quarter brought a 0.5% increase in rent from first quarter
- The Philadelphia metro market is expected to experience rent loss for 2020 of -1.8% to \$1,415, with an annual gain of 0.9% in 2021
- Vacancy rate of 4.0% in 2Q expected to rise to 5.2% by year end and to 5.5% in 2021 before receding each year thereafter through 2024

Average Rent / Vacancy



Source: Reis, *2Q 2020

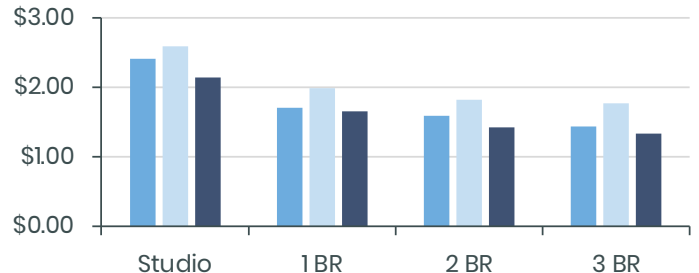
Asking Rent Comparison



Source: Reis, 2Q 2020

Philadelphia MSA Northeast U.S.

Asking Rent PSF



Source: Reis, 2Q 2020

MULTIFAMILY CONSTRUCTION

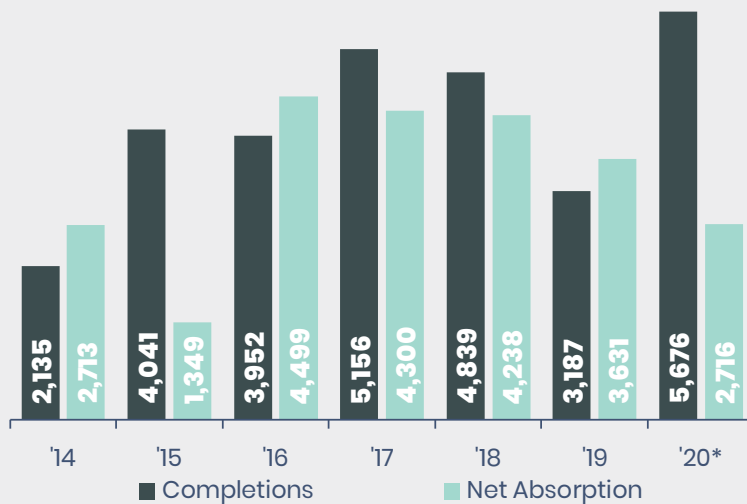
2020: Expected completions of 5,676 new units

4,007 new units will follow in 2021

The Philadelphia market has a cumulative inventory growth five-year forecast of 1.2%, just below that of the Northeast (1.4%) and U.S. (1.3%).

Though inventory growth will measure 2.5% in 2020, a downward trend will follow, with inventory gaining 1.7% in 2021 and 0.8% in 2022. Demand is not expected to outpace deliveries until 2022, at which time the average market vacancy rate will retreat from its high of 5.5% in 2021 to 5.0%. Subsequent reductions are forecast, with vacancy falling to an average of 4.4% by 2024.

Completions/Net Absorption



Source: Reis, All figures are annual totals, *Projected

PERMITS



3,814

Single Family Permits
-8.4% YoY



2,185

Multifamily Permits
(5+ Units)
-33.3% YoY

YTD Through 2Q 2020

\$255,000

Median Single Family Price
+9.0% YoY

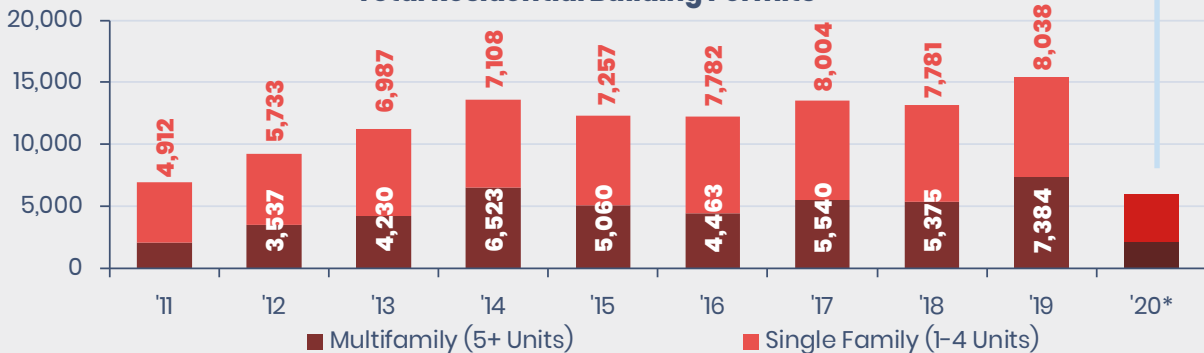
June 2020

- Active for-sale inventory was down 24% YoY in June, to 3,800 units - one of its lowest levels in years. About 5,000 homes are on the market in a typical month
- The market had a 3.8 months supply of homes in June, considered balanced. The sold vs. list price was 97.7%

Mid-Year Permit Volume

2,185 Multifamily
3,814 Single Family

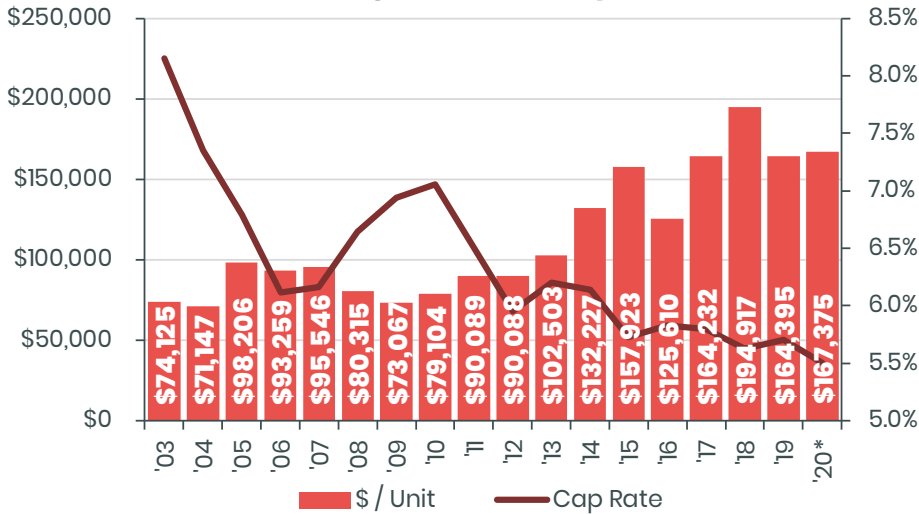
Total Residential Building Permits



Source: U.S. Census, *Through June, Multifamily Includes Condos

MULTIFAMILY SALES

Average Sales PPU / Cap Rate



Source: Real Capital Analytics, Based on sales of \$2.5 million and greater, *YTD through June 30



\$496.2M

Sales Volume YTD
-74.8% YoY



\$167,375

Avg. Sold Price / Unit YTD
-4.6% YoY

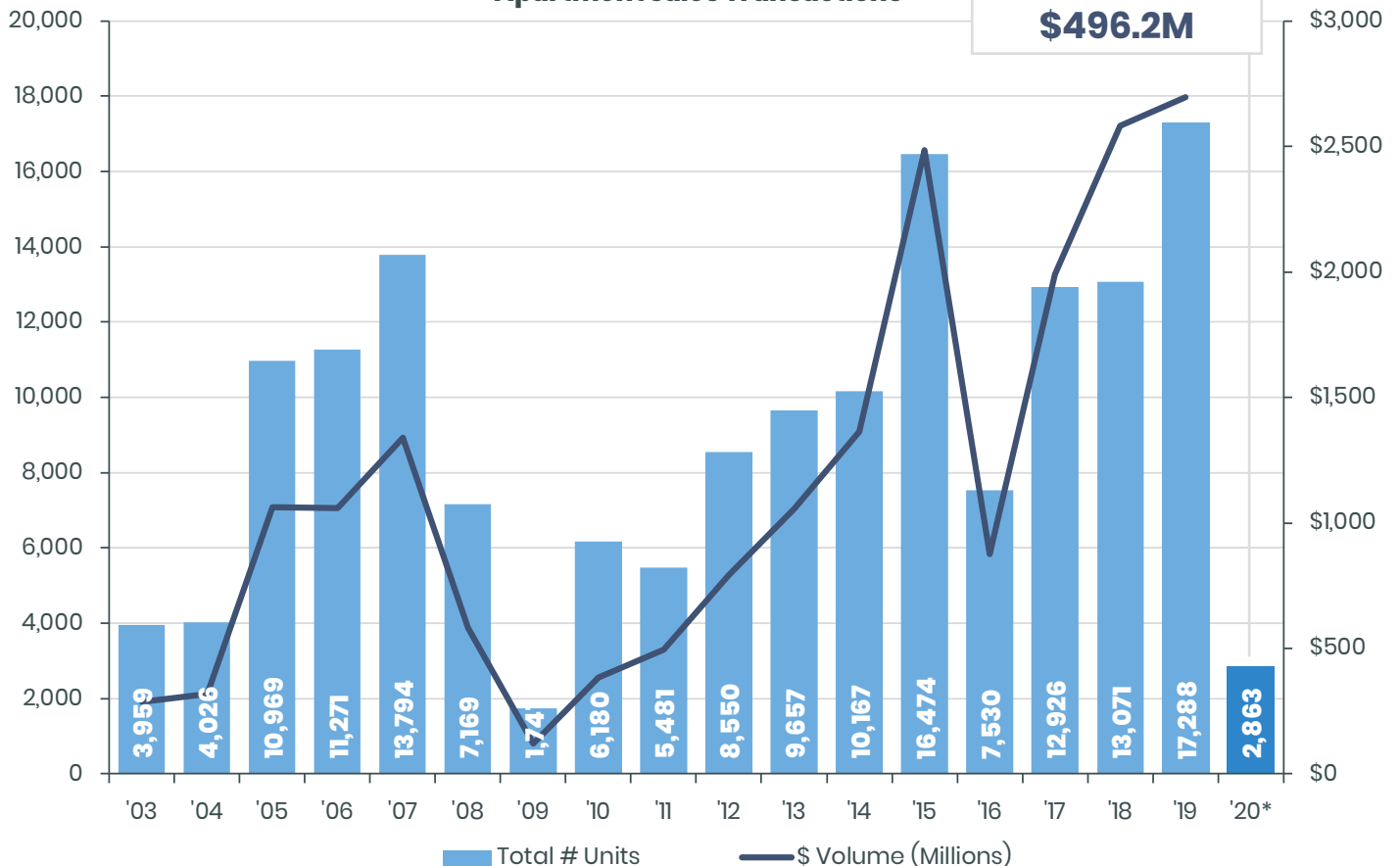


5.5%

Avg. Cap Rate YTD
-40 bps YoY

Apartment Sales Transactions

Mid-Year Sales Volume
\$496.2M



Source: Real Capital Analytics, Based on sales of \$2.5 million and greater, YTD through June 30

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Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Long & Foster

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