

PHILADELPHIA, PENNSYLVANIA

STRATEGIC APARTMENT DEVELOPMENT TAPPING UNMET DEMAND

With apartment occupancy rising in recent years as limited single-family housing was available for sale across the Philadelphia metropolitan area, apartment construction elevated in kind to reach a cycle peak in 2020. Deliveries were focused on the western portion of the metro in the neighboring Norristown/Upper Merion/Lower Merion and Chester County submarkets. These additions as well as an increase in concessions facilitated positive leasing activity as these areas led all others in annual absorption last year. The strategic development will be further highlighted this year as deliveries concentrate in the Center City Philadelphia submarket. While these communities may take longer to reach lease-up due to the impact of the pandemic in the near term, annual apartment absorption is forecast to be highest in the submarket with major employers like Penn Medicine continuing to expand. Even with sustained apartment demand, Center City Philadelphia leasing activity will trail inventory growth. The submarket trend will reflect the market. With nearly 5,800 units scheduled to come online across Greater Philadelphia over the next four quarters, the supply-demand imbalance is expected to shift down occupancy 40 basis points over 2021. At an average of 95.8% by year-end, apartment occupancy would still be 10 basis points higher than the five-year average. With occupancy forecast to remain at healthy levels amid steady inventory expansion, apartment operators are predicted to accelerate rent growth. After advancing 0.4% last year, monthly effective rent is projected to reach \$1,439 by year-end 2021, a 3.1% annual increase.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

95.8%
Down 40 bps YOY



EFFECTIVE RENT

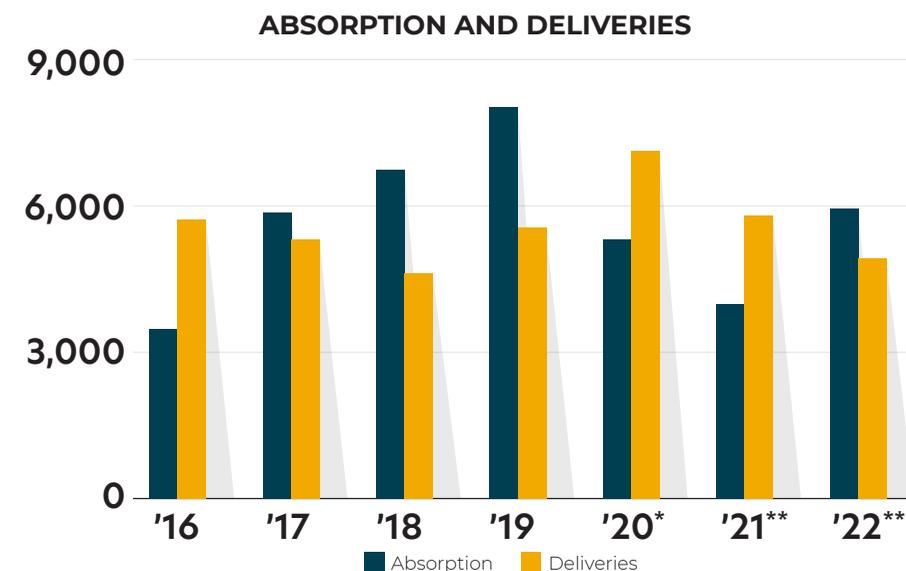
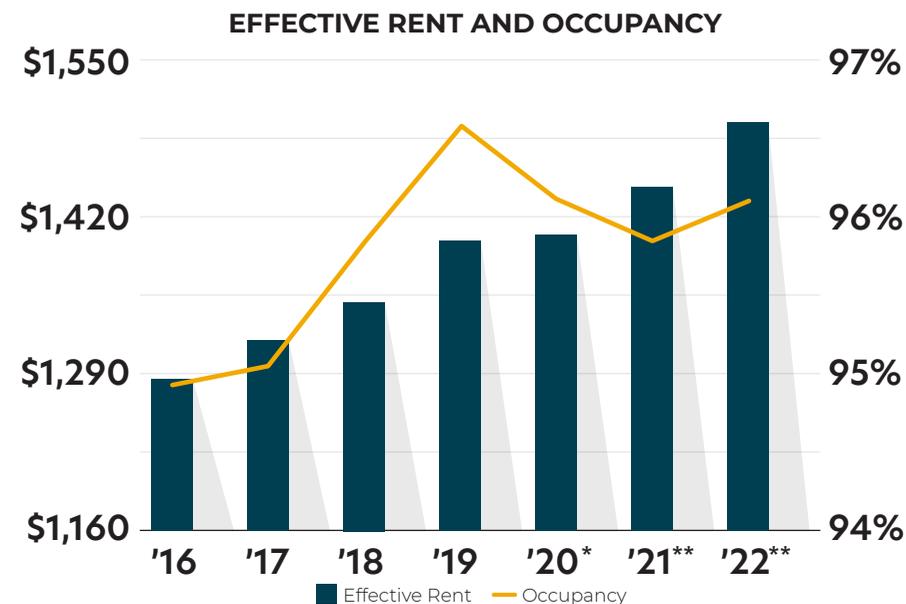
\$1,439
Up 3.1% YOY



RENT SHARE OF WALLET

22.5%
Up 40 bps YOY

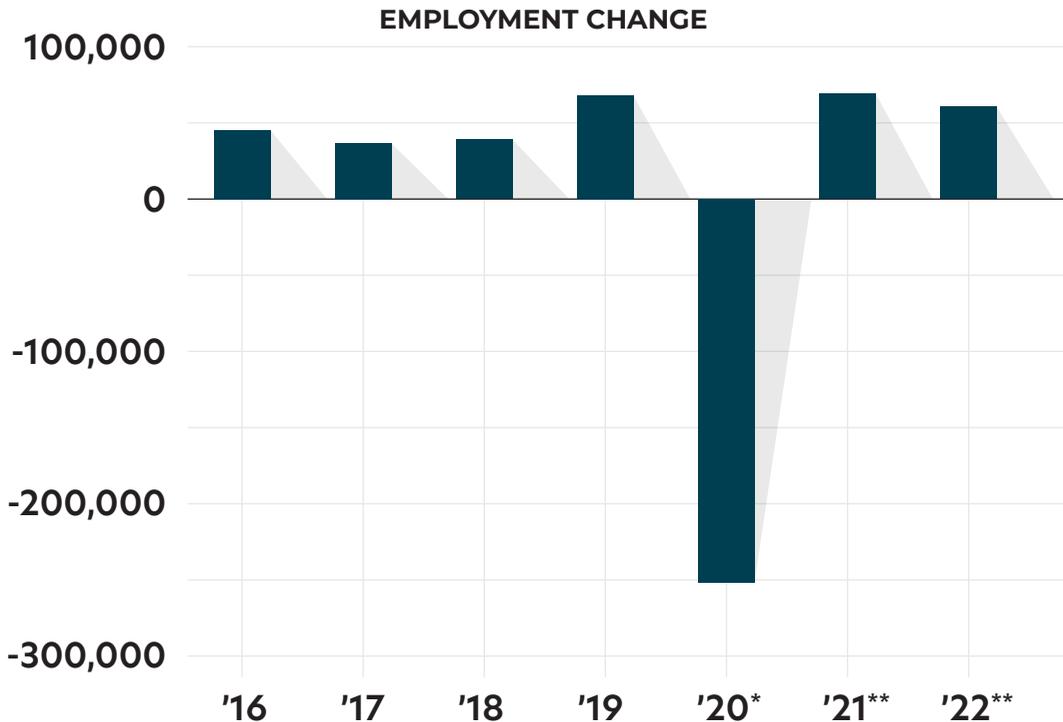
MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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EMPLOYMENT TRENDS



2019	YOY CHANGE	2020*	YOY CHANGE	2021**
3,025,200	-8.3%	2,773,300	2.5%	2,843,400

2019	YOY CHANGE	2020	YOY CHANGE	2021
3.4%	760 BPS	11.0%	-290 BPS	8.1%

2019	YOY CHANGE	2020	YOY CHANGE	2021
6,107,800	0.3%	6,127,700	0.3%	6,146,400

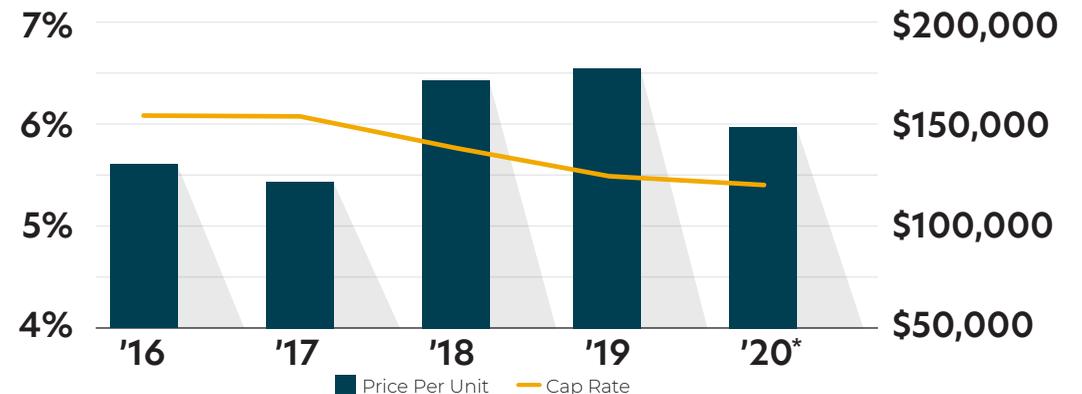
2019	YOY CHANGE	2020	YOY CHANGE	2021
2,393,500	0.7%	2,409,700	0.6%	2,425,000

2019	YOY CHANGE	2020	YOY CHANGE	2021
\$74,122	2.4%	\$75,895	0.9%	\$76,601

SALES TRENDS

2019	YOY CHANGE	2020*
\$176,690	-16.4%	\$147,691

2019	YOY CHANGE	2020
5.5%	-10 BPS	5.4%



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