

# PHILADELPHIA PA

## INSTITUTIONAL MULTIFAMILY REPORT

**BERKADIA**<sup>®</sup>

INSTITUTIONAL SOLUTIONS

powered by MORAN

a Berkshire Hathaway and Jefferies Financial Group company



# PHILADELPHIA, PA EMPLOYMENT

## JOBS ADDED / LOST

### LAST 12 MONTHS

303,500

↑ 12.1%

### NEXT 12 MONTHS\*

111,200

↑ 3.9%

## UNEMPLOYMENT

### MID-YEAR 2021

6.9%

↓ 850 BPS YOY

### MID-YEAR 2022\*

4.1%

↓ 280 BPS YOY

\*PROJECTED

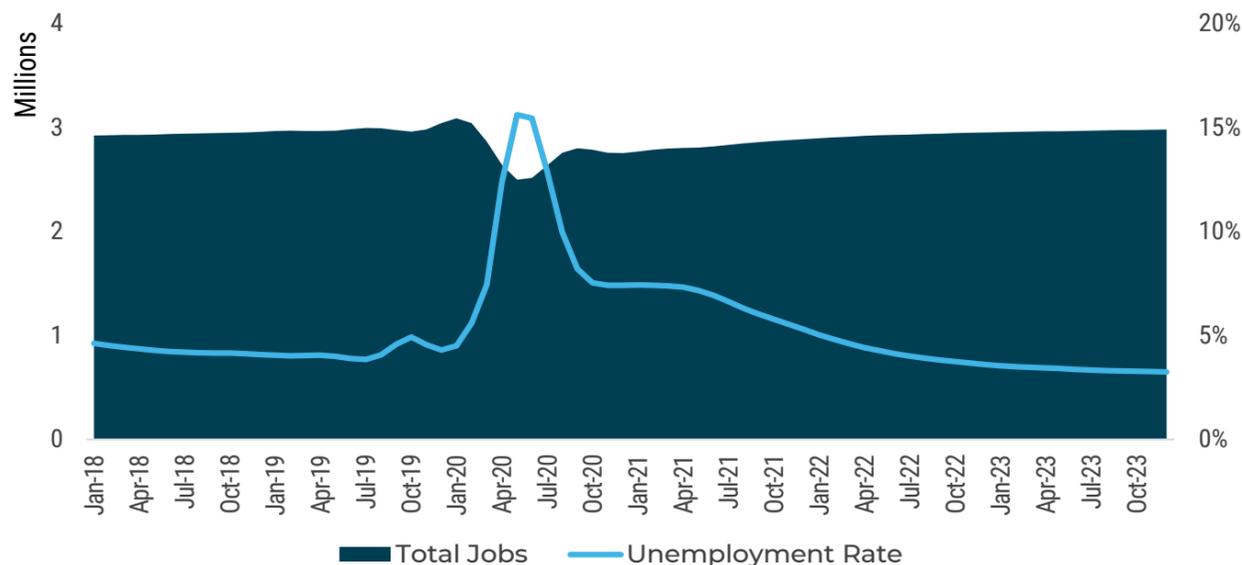
The Greater Philadelphia economy continues to rebound as the metropolitan area recovered 79% of the jobs lost in March 2020, when the COVID lockdowns abruptly threw the economy into reverse. Philadelphia-based companies supported nearly 2.82 million workers metrowide in June 2021, following 12.1% growth in the last year. Contributing to the rebound in economy was broad based job gains. Employers grew payrolls by more than 30,000 positions in each of the following sectors since mid-2020: leisure and hospitality; trade, transportation, and utilities; education and health services; and professional and business services.

On June 11, Philadelphia government dropped all pandemic restrictions for businesses and

for activities. Fully reopening the economy is projected to add another 111,200 jobs to total nonfarm payrolls by the same time next year. Bolstering job growth will be mass hirings at United Parcel Service Inc., Amazon.com Inc., The Giant Company, and Fidelity Investments.

The prime office-using industries—professional and business services, financial activities and, information—together support 52,800 jobs, 40% of the jobs are in Center City. According to the Central Philadelphia Development Corporation, roughly 60 major projects totaling 21.5 million square feet and \$7.1 billion in investment are underway in Center City, making it one of the largest downtown office markets in the country.

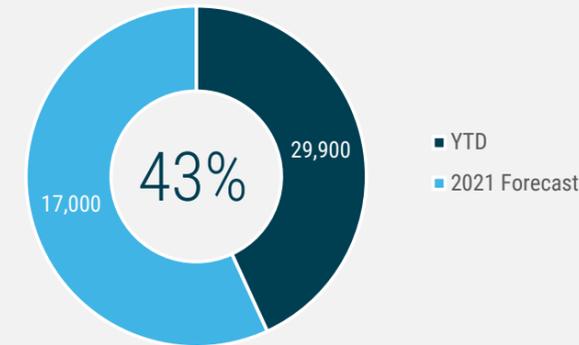
## EMPLOYMENT TRENDS



SOURCE: MOODY'S ANALYTICS

## WHO'S HIRING?

### EDUCATION & HEALTH SERVICES INDUSTRY



23%  
OF ALL JOBS IN THE METRO

\$87,100  
AVERAGE ANNUAL SALARY

## TOP EDUCATION & HEALTH SERVICES EMPLOYERS

Penn	46,600 JOBS
Jefferson Thomas Jefferson University HOME OF SIDNEY KIMMEL MEDICAL COLLEGE	32,000 JOBS
Children's Hospital of Philadelphia	22,100 JOBS

## IN THE NEWS

- Amazon hiring more workers in Lehigh Valley
- Fidelity Investments looks to fill jobs in Greater Philadelphia
- The Giant Co. deepens roots in Philadelphia with new stores
- Logistics Property Co. developing 1.5M sq.ft. campus
- UPS to Hire 500 in Philadelphia Area



## PHILADELPHIA, PA

# DELIVERIES & ABSORPTION

### 2021 UNITS\*

DELIVERED

6,885

ABSORBED

5,792

### 2022 UNITS\*

DELIVERED

6,995

ABSORBED

5,436

\*PROJECTED

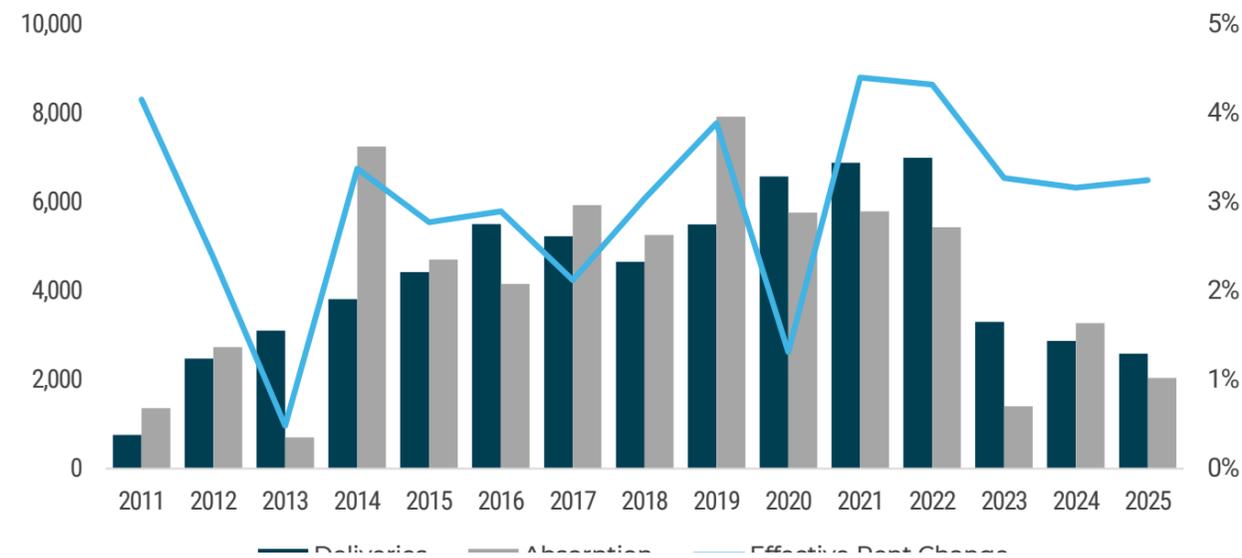
As Greater Philadelphia fully emerges from the pandemic's shadows, the impact of the coronavirus on the multifamily sector has been largely minimal. As limited single-family housing was available for sale across Philadelphia, apartment construction elevated in kind to facilitate apartment leasing activity.

Builders delivered 3,164 apartment units during the first half of 2021, part of 6,885 rentals projected in 2021. Construction is projected to remain elevated through 2022 with nearly 7,000 additions. While units continue to deliver across the 16 apartment submarkets, multifamily developers are most active in the Center City submarket. One-third of the total units to be completed in 2021 and 2022 will be added to the

stock of Center City apartments. The appeal of the area for developers and renters is the walkable neighborhoods offering the perfect mix of live-work-play. Philadelphia is expected to reflect the national trend in which residents are returning downtown. After negative net absorption in the submarket last year, leasing activity is forecast to shift positive over the next four quarters.

Following a seasonal slackening in rental demand at the start of 2021, leasing surged in the second quarter and is expected to hold up well through 2022. The Generation Z renters and New Yorkers moving to the Philadelphia area seeking more bang for their buck have kept new rentals moving.

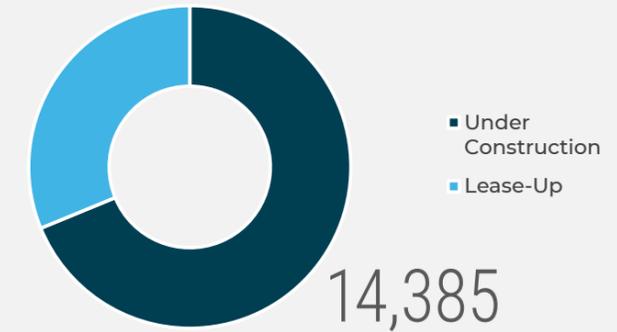
### DELIVERIES, ABSORPTION, & EFFECTIVE RENT CHANGE



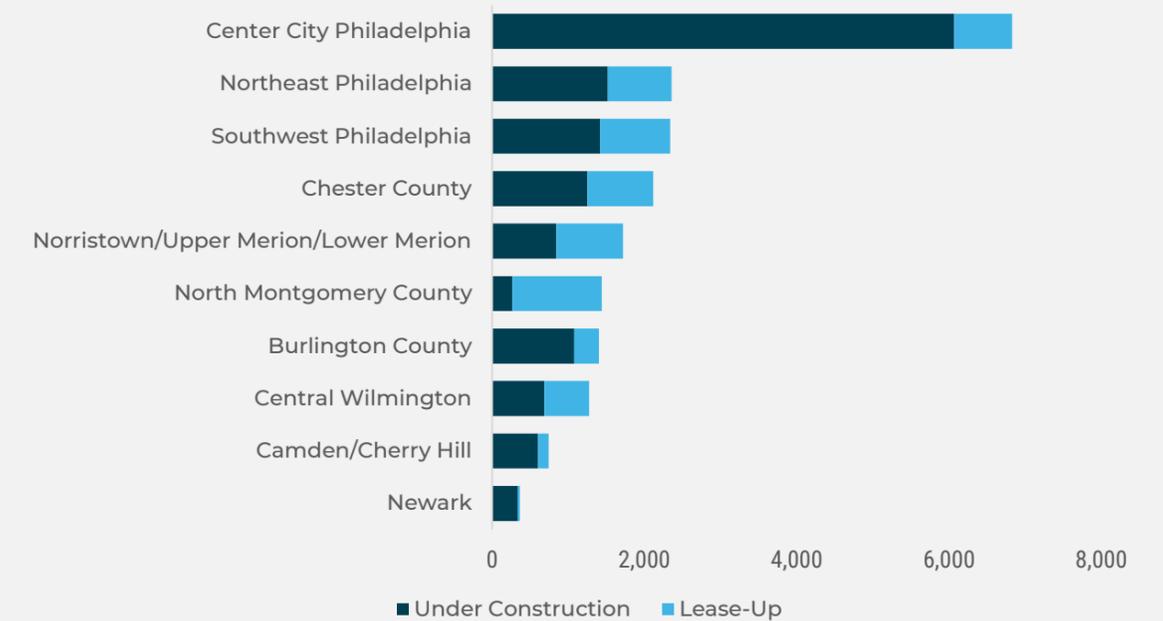
SOURCE: REALPAGE

### MARKET PIPELINE

6,523



### TOP 10 SUBMARKET PIPELINES



For a complete list of properties in the pipeline, [CLICK HERE](#)



# PHILADELPHIA, PA RENT & OCCUPANCY

## EFFECTIVE RENT

2Q 2021

\$1,498

↑ 4.0% YOY

## OCCUPANCY

2Q 2021

96.5%

↑ 40 BPS YOY

Pent-up apartment demand in the Philadelphia metropolitan area advanced average occupancy 40 basis points annually to 96.5% by mid-year 2021. COVID-19 and associated economic shutdowns provoked the sharpest rise in occupancy among the Class C segment.

After advancing 1.7% in the preceding year, healthy net absorption and a rebuilding workforce supported a 4.0% annual boost in effective rent, concluding the second quarter of 2021 at \$1,498 per month.

During the pandemic, effective rent surged among more affordable submarkets in the outskirts of the metro: Outer Wilmington, Lower Camden County, and Burlington County. These

areas led all others in rent growth last year.

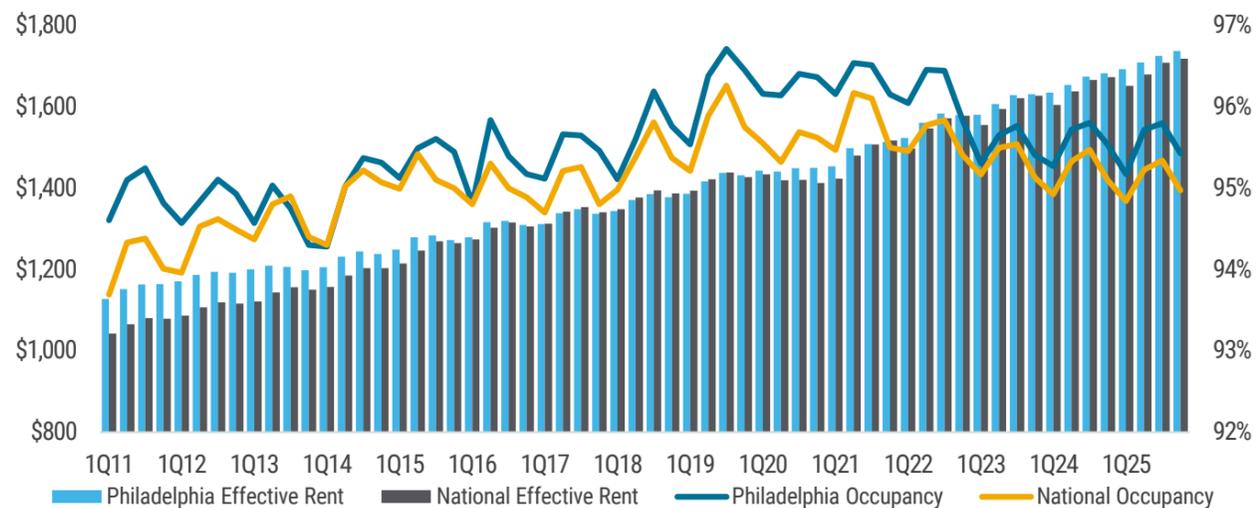
Because of the increased multifamily development and urban flight at the start of the pandemic, operators curtailed effective rent in the Center City Philadelphia submarket. While these apartment communities may take longer to reach lease-up due to the impact of the pandemic in the near term, annual apartment absorption and rent growth is forecast to be highest in the submarket with major employers like Penn Medicine continuing to expand.

As inventory growth and leasing activity are projected to reach equilibrium over the next four quarters, apartment operators will have room to accelerate annual rent growth.

## SUBMARKET PERFORMANCE

SUBMARKET NAME	2Q21 OCCUPANCY	YOY (BPS)	2Q21 EFFECTIVE RENT	YOY
Bucks County	98.0%	90	\$1,394	7.1%
Burlington County	98.3%	120	\$1,470	10.8%
Camden/Cherry Hill	95.9%	-10	\$1,460	5.7%
Center City Philadelphia	92.3%	-250	\$2,077	-6.7%
Central Wilmington	97.4%	160	\$1,266	3.6%
Chester County	95.8%	60	\$1,645	5.1%
Delaware County	97.7%	30	\$1,285	6.2%
Gloucester County	99.1%	170	\$1,329	7.4%
Lower Camden County	98.5%	210	\$1,275	9.4%
Newark	98.6%	100	\$1,242	6.1%
Norristown/Upper Merion/Lower Merion	96.3%	70	\$1,653	3.7%
North Montgomery County	97.4%	160	\$1,559	6.0%
Northeast Philadelphia	97.1%	-20	\$1,187	5.2%
Northwest Philadelphia	96.1%	50	\$1,530	5.7%
Outer Wilmington	97.5%	180	\$1,293	10.0%
Southwest Philadelphia	94.1%	-60	\$1,646	1.1%

## PHILADELPHIA VS. NATIONAL EFFECTIVE RENT & OCCUPANCY



SOURCE: REALPAGE



## PHILADELPHIA, PA

# POPULATION & MIGRATION

### 2021 RESIDENTS\*

6,146,300

↑ 0.3% YOY

### 2022 RESIDENTS\*

6,162,500

↑ 0.3% YOY

\*PROJECTED

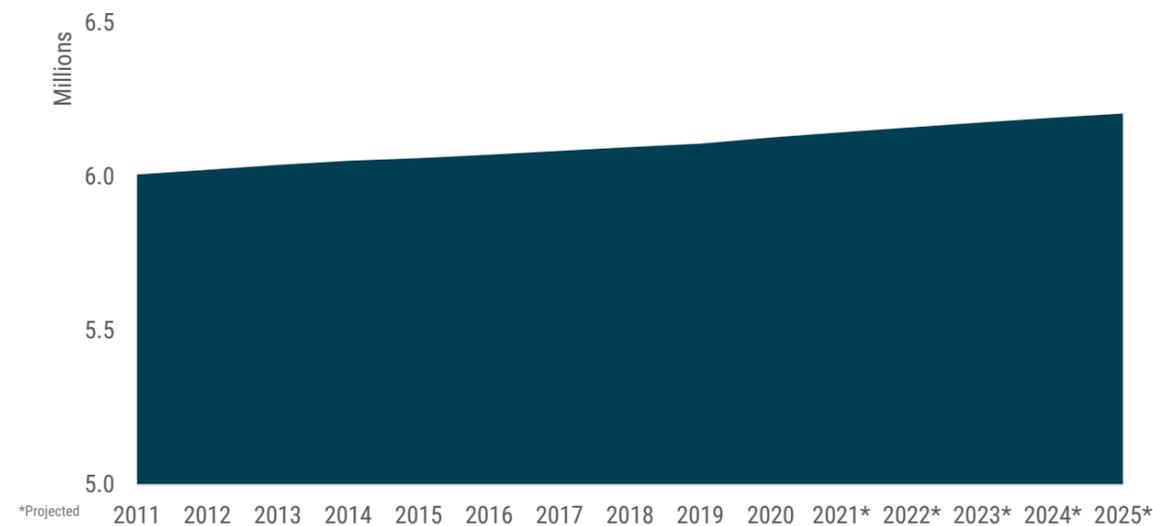
With a population of nearly 1.6 million residents, Philadelphia is the sixth-largest city in the United States, and the second-largest city on the eastern seaboard. With the city's tax structure set up to incentivize living and working in the same neighborhood, more and more residents are moving to Center City.

Over the next five years, Downtown Philadelphia's population is forecast to rise 9.3%, compared to 2.6% metrowide. This bodes well for the 7,200 apartments slated to deliver during this same time. Moreover, roughly 60 major projects totaling 21.5 million square feet and \$7.1 billion in investment are underway in Center City, bolstering migration to the urban core. According to Yardi Matrix, most of those

moving into Philadelphia apartments have been younger people who lived in other cities: 53% of the new arrivals were urban dwellers, up 6% from the year before, and their median age was 28.

With a strong economic recovery through sustained job creation, the appeal of Greater Philadelphia is evident in the swing in net migration. After more people moved out of the metro than moved into it during 2020, net migration is forecast to total 6,600 persons this year. The additions are part of the net in-migration of 39,100 people over the next five years.

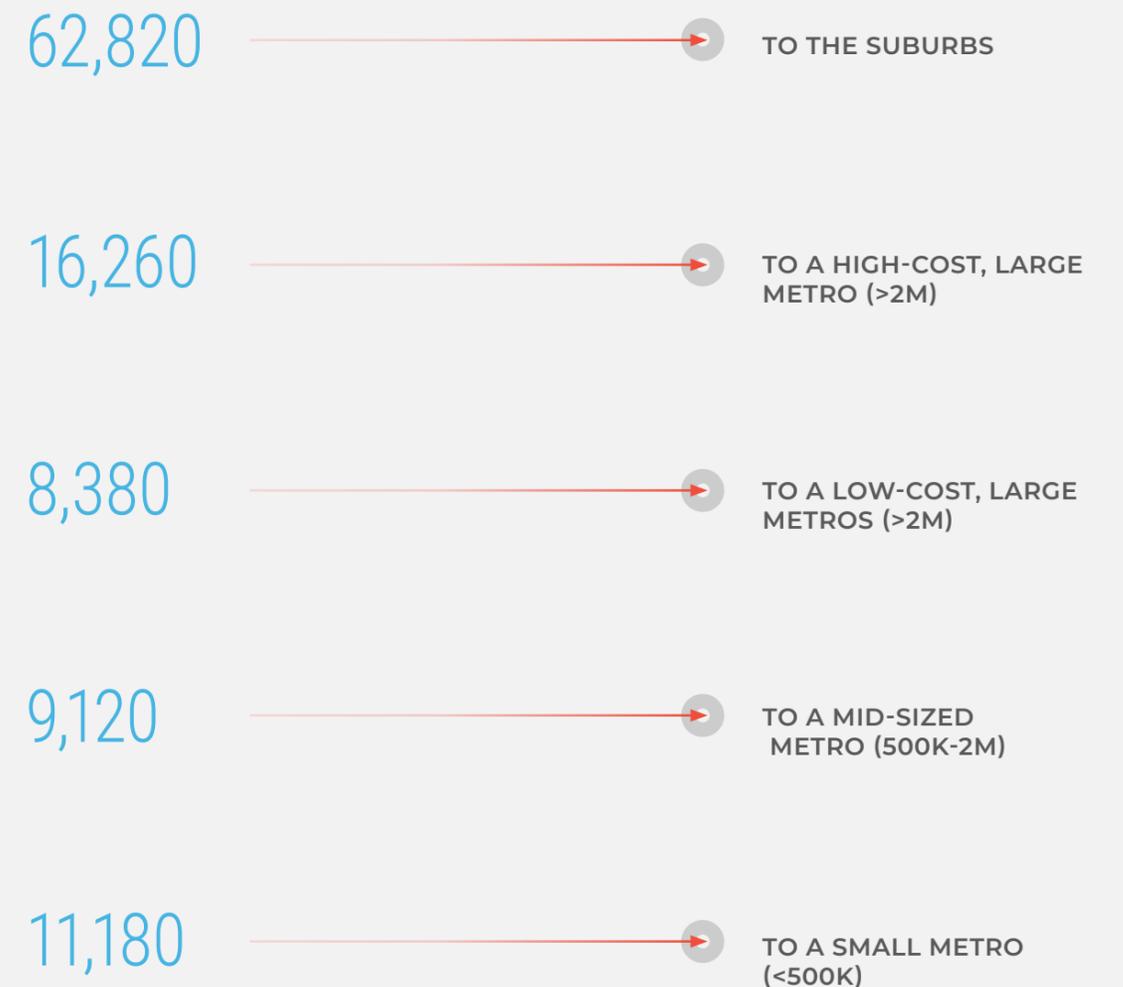
### PHILADELPHIA POPULATION



SOURCE: MOODY'S ANALYTICS

### URBAN MIGRATION DURING THE PANDEMIC

2Q 2020 - 1Q 2021



SOURCE: FEDERAL RESERVE BANK OF CLEVELAND



# PHILADELPHIA, PA SALES

## 2021 YEAR TO DATE\*



VOLUME

\$59.5M



PRICE PER AVERAGE (AVG)

\$216,364



TRANSACTIONS

1



CAP RATE (AVG)

N/A

## WHAT'S TRADING?\*



UNITS (AVG)

275



YEAR BUILT (AVG)

2010's



BUILDINGS (AVG)

1



ACRES (AVG)

7.00

## TOP BUYERS\*\*

BUYER	LOCATION
Coastal Ridge	Marble Cliff, OH
PGIM Real Estate	Newark, NJ
Premier Properties	Lakewood, NJ
M Group Inc	Birmingham, MI
Harbor Group Int'l	Norfolk, VA

## TOP SELLERS\*\*

SELLER	LOCATION
Northwestern Mutual	Milwaukee, WI
MetLife	New York, NY
Pantzer Properties	New York, NY
Invesco Real Estate	Atlanta, GA
Clarion Partners	New York, NY

\*\*Past 24 Months

\*\$50M+  
SOURCE: REAL CAPITAL ANALYTICS

# BERKADIA®

INSTITUTIONAL SOLUTIONS

powered by MORAN

Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland; Philadelphia Business Journal

© 2021 Berkadia Real Estate Advisors LLC

Berkadia® is a trademark of Berkadia Proprietary Holding LLC

Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: [www.berkadia.com/legal/licensing.aspx](http://www.berkadia.com/legal/licensing.aspx)

The information contained in this flyer has been obtained from sources we believe to be reliable; however, we have not conducted any investigation regarding these matters and make no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. While we do not doubt its accuracy, we have not verified it and neither we, nor the Owner, make any guarantee, warranty or representation of any kind or nature about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example and do not necessarily represent past, current or future performance of the property. You and your advisors should conduct a careful and independent investigation of the property to determine to your satisfaction the suitability of the property and the quality of its tenancy for your records.