

2022 MID-YEAR

PHILADELPHIA PA

Multifamily Report

BERKADIA[®]
INSTITUTIONAL SOLUTIONS

a Berkshire Hathaway and Jefferies Financial Group company





Jobs Added / Lost

LAST 12 MONTHS

112,400

↑ 3.9%

NEXT 12 MONTHS*

42,500

↑ 1.4%

Unemployment

MID-YEAR 2022

4.2%

↓ 240 BPS YOY

MID-YEAR 2023*

3.2%

↓ 100 BPS YOY

*Projected

PHILADELPHIA, PA EMPLOYMENT

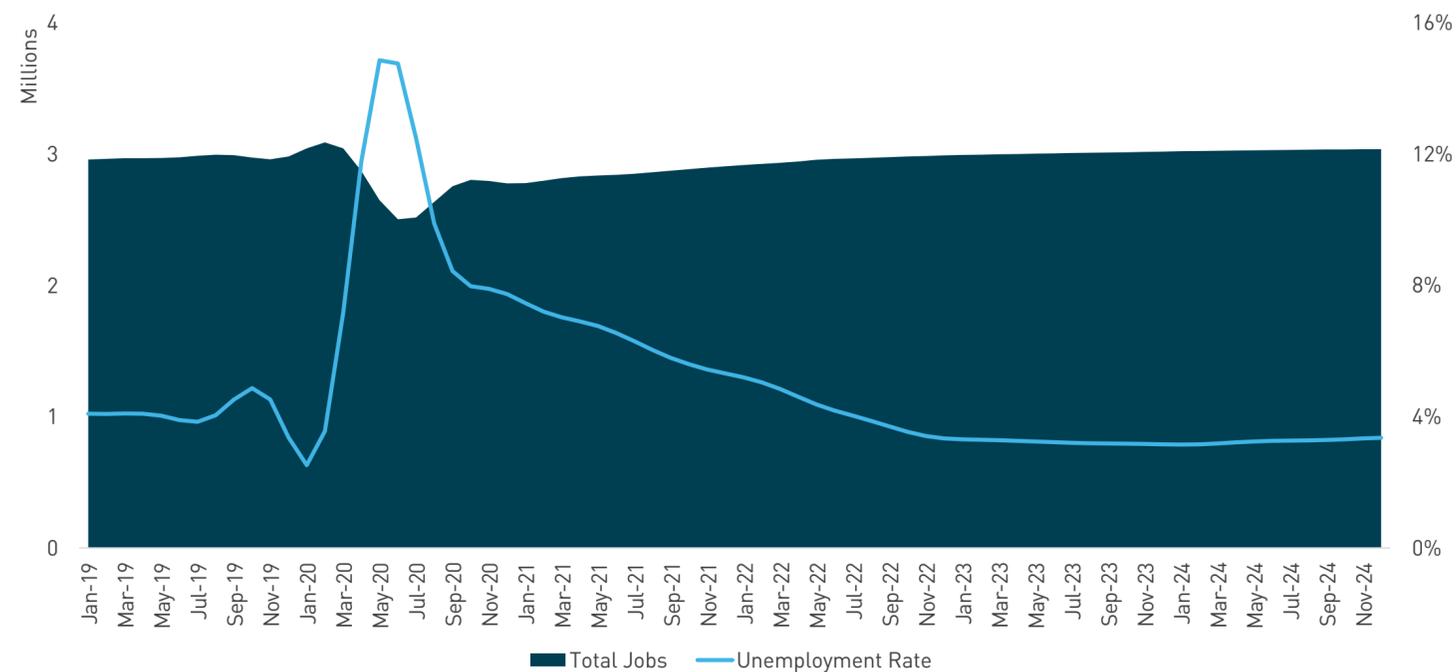
Greater Philadelphia added a healthy 112,400 positions in the previous 12 months ending in June for a 3.9% rate of job growth across all sectors. While recovery is in full swing and all sectors registered gains on an annualized basis, the metro still had 126,200 fewer positions than it did in February 2020, before the onset of the pandemic.

Like most of the United States, companies in the leisure and hospitality industry led job growth, expanding 9.6% in the past year. The addition of 21,600 positions signaled a return of hotel traffic, larger events, and tourism to Philly. Office-using employment sectors also gained steam with 30,600 combined employees newly hired or jobs restored since mid-2021.

The metro's biggest sector—education and health services—added 16,300 jobs. Philadelphia is cementing its position as a national life science cluster, as reports indicate the city received \$1.23 billion in National Institute of Health (NIH) funding in 2021.

Philadelphia has significant volumes of new investment from both private capital and NIH funding, specifically for cell and gene therapy. One new development currently underway will be known as the Budd Campus, a 2.4 million-square-foot biomanufacturing center that will encompass six buildings on over 25 acres near Philadelphia's Center City.

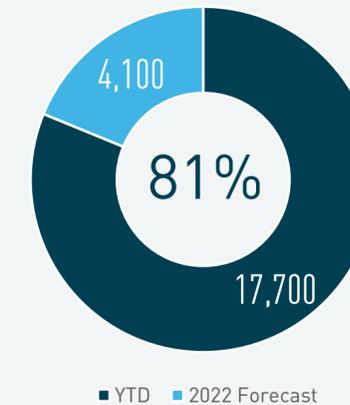
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

PROFESSIONAL & BUSINESS SERVICES INDUSTRY



17%
OF ALL JOBS IN THE METRO

\$86,800
AVERAGE ANNUAL SALARY

Top Professional & Business Services Employers



1,600 JOBS



1,500 JOBS



1,500 JOBS

In The News

- [Navy Yard's \\$6B mixed-use redevelopment creating 12,000 jobs](#)
- [Tishman Speyer developing 200,000 SF life sciences campus](#)
- [Hillwood Development plan 3.7M SF Bainbridge Logistics Center](#)



PHILADELPHIA, PA DELIVERIES & ABSORPTION

2022 Units*

DELIVERIES

8,382

ABSORPTION

4,713

2023 Units*

DELIVERIES

11,800

ABSORPTION

4,503

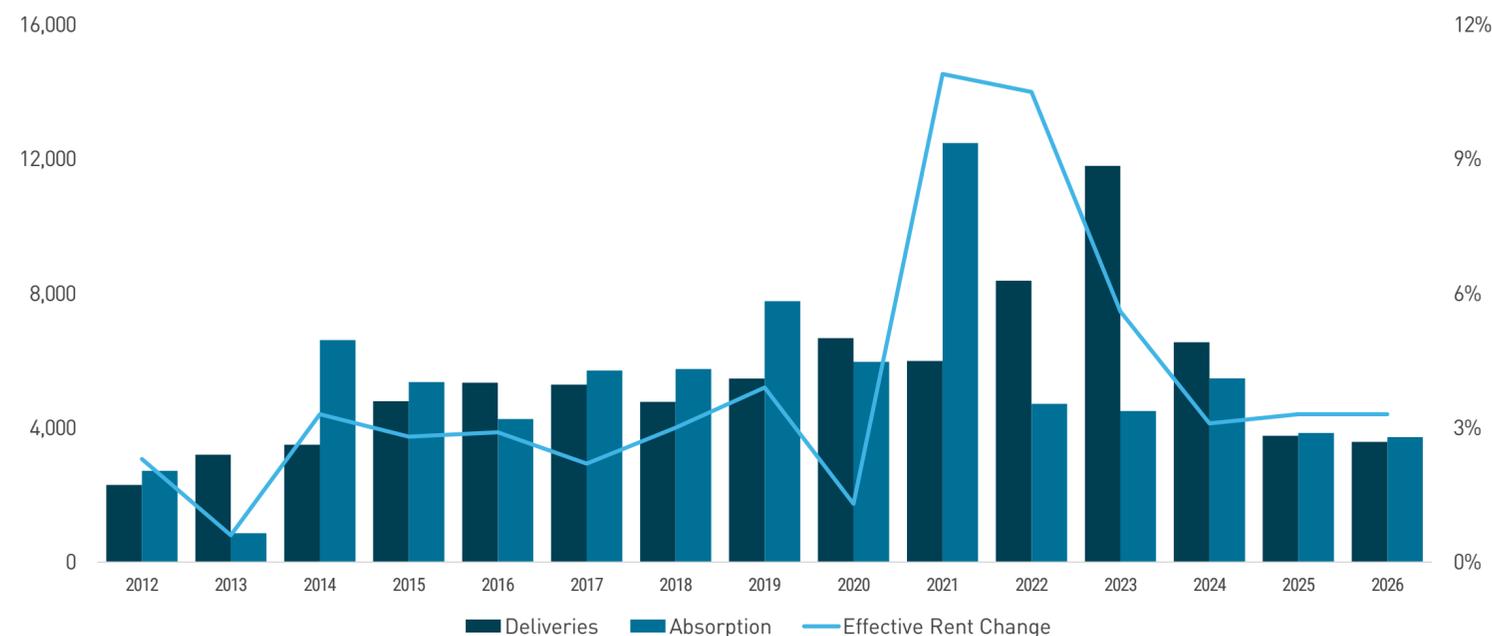
*Projected

Greater Philadelphia has benefited from a flood of new residents during 2020 and 2021. Affordability factors may be pushing residents from higher-priced metros into Philadelphia. Last year demand for rental housing exceeded new supply by more than two to one. Developers responded by ramping up apartment construction. Additionally, under construction volumes within the city's core remain near all-time highs, as developers rushed to get their projects permitted and underway before the city of Philadelphia began a gradual phase out of tax abatement on new construction for projects that received their construction permits before the beginning of 2022.

During the first six months of the year, multifamily developers delivered 2,486 units, part of a total 8,382 completions anticipated this year. An additional 11,800 new apartments are forecast to come online next year, marking a decade high. Additionally, some 38,400 units were in the planning and permitting stages.

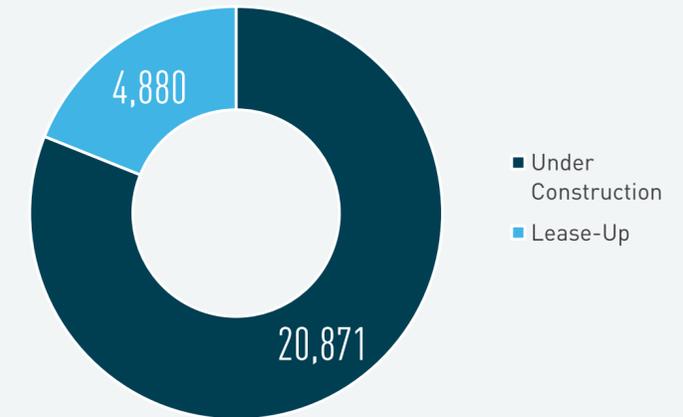
Net absorption hit a high-water mark of 12,477 units last year and net absorption remained positive in the first half of 2022 even with the seasonal dip in leasing activity during that time. In the first six months, a net 794 units were newly leased, and 3,919 new units are expected to be absorbed in the second half of 2022.

Deliveries, Absorption, & Effective Rent Change

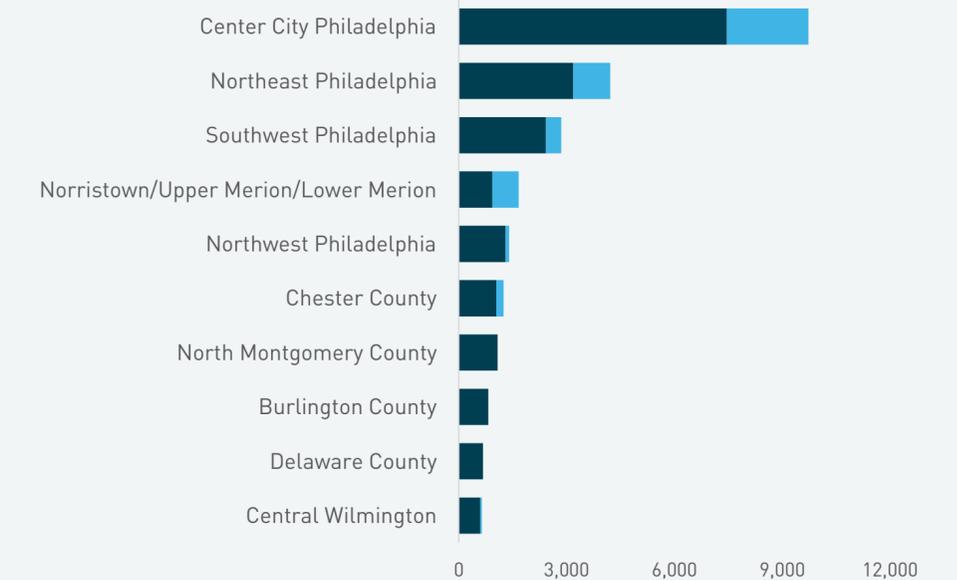


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

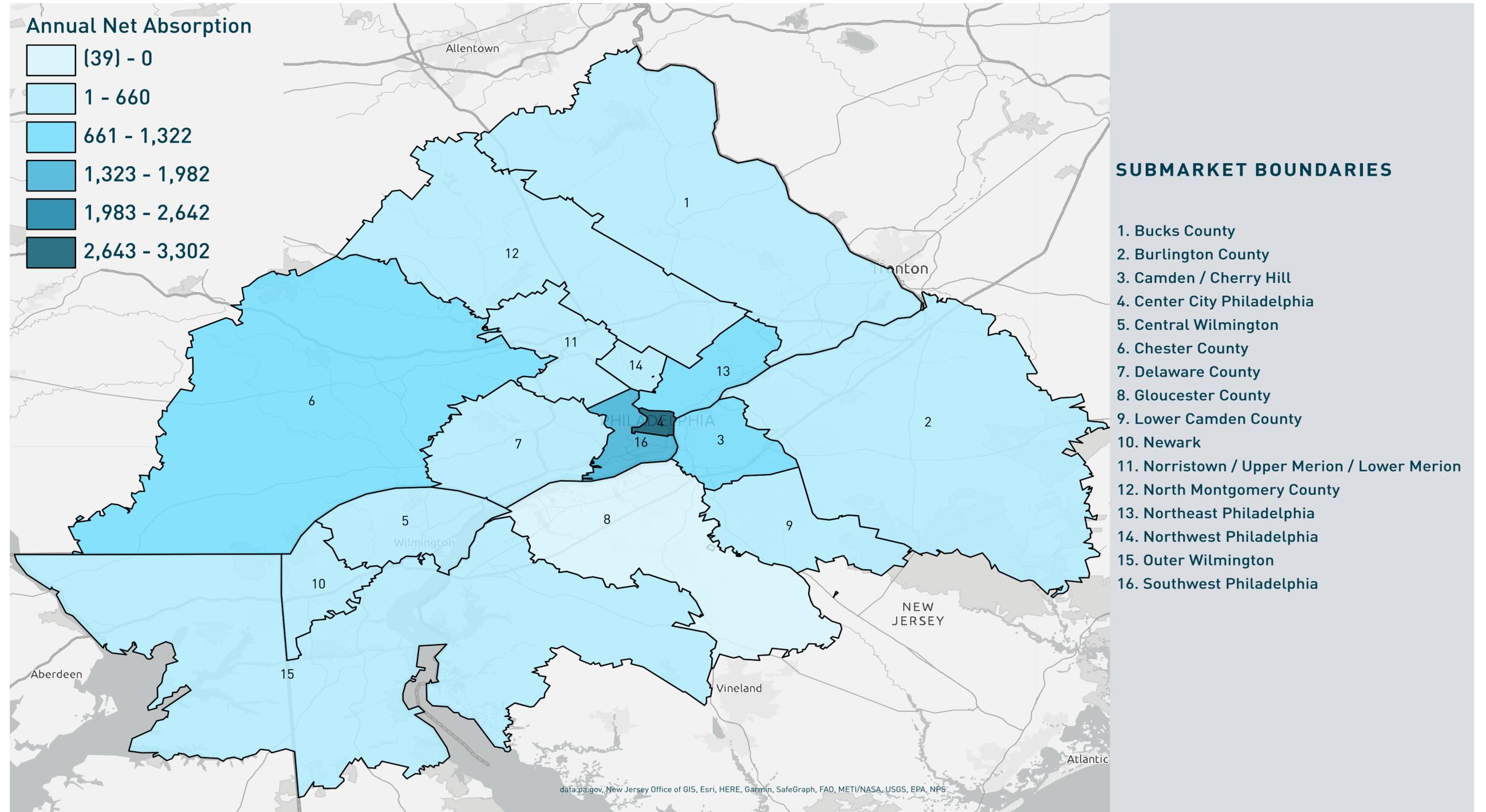




PHILADELPHIA, PA

SUBMARKET ANNUAL ABSORPTION

Located in the heart of Philadelphia, Center City is the second-most populous downtown district in the nation and the prime driver of the local economy. Roughly 42% of the city's jobs are in Center City, with diversification being the defining strength of the workforce. Office-using industries support roughly 40% of the 305,000-plus Center City residents who work in the neighborhood. With the city's tax structure set up to incentivize living in the neighborhood you work; more and more residents are moving to Center City. Over the next five years, Downtown Philly's population is forecast to rise 9.3%, compared to only 2.2% metrowide. Construction activity has been concentrated in the urban core, with almost 50% of the current pipeline being in the Center City submarket. The metro's urban area outperformed the suburban submarkets on an annualized basis with 3,302 newly leased units.





PHILADELPHIA, PA RENT & OCCUPANCY

Effective Rent

2Q 2022

\$1,717

↑ 11.9% YOY

Occupancy

2Q 2022

97.6%

↑ 110 BPS YOY

As is the case nationally, employers are being forced to accelerate pay increases to recruit and retain workers. Accelerating wage growth is currently an important factor underpinning operator's ability to raise rents. Prior to 2021, annual effective rent growth of 2% to 3% was the norm in Philadelphia. Moreover, continued competition among blue-collar renters for relatively affordable units, combined with little to no construction of affordable housing or workforce apartments, has given landlords of these properties the upper hand.

In the second quarter of 2022, average effective rent in the Greater Philadelphia apartment market reached \$1,717 per month, running at an impressive 11.9% year-over-year

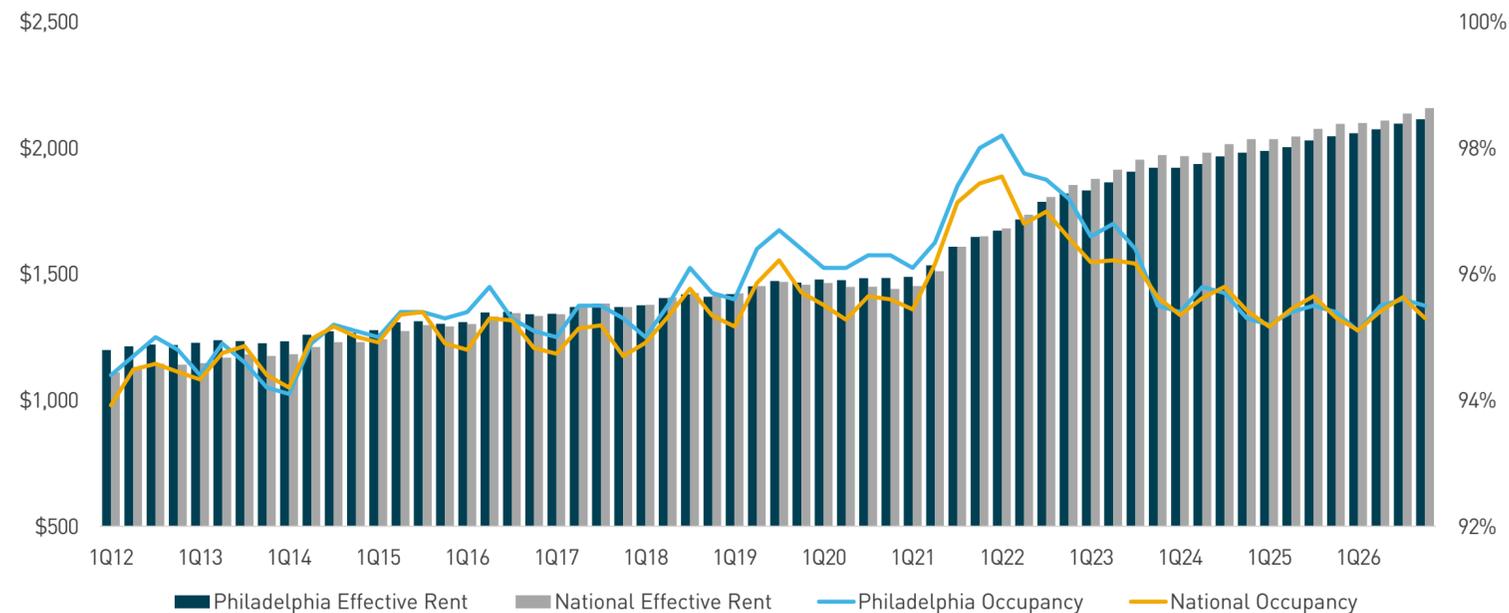
increase. Effective rent is slated to increase an additional 8.6% the next year to reach \$1,864 per month.

Occupancy in stabilized assets rose 110 basis points year-over-year to 97.6% at the midpoint of 2022. The current rate simultaneously exceeds the five-year average of 96.2%. Occupancy was tightest among workforce housing communities where competition is fiercest among renters seeking affordability. Meanwhile, occupancy among Class A assets increased due in large part to the metro's new supply being composed primarily of upscale stock.

Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Bucks County	98.7%	70	\$1,522	10.0%
Burlington County	98.5%	20	\$1,671	12.7%
Camden/Cherry Hill	98.0%	210	\$1,789	13.9%
Center City Philadelphia	95.6%	350	\$2,450	12.5%
Central Wilmington	97.8%	40	\$1,458	10.5%
Chester County	97.5%	160	\$1,887	12.7%
Delaware County	97.8%	10	\$1,467	10.4%
Gloucester County	98.8%	-30	\$1,532	14.0%
Lower Camden County	98.6%	10	\$1,443	13.5%
Newark	98.4%	-10	\$1,449	14.2%
Norristown/Upper Merion/Lower Merion	96.9%	60	\$1,873	11.6%
North Montgomery County	98.1%	120	\$1,808	12.2%
Northeast Philadelphia	97.6%	50	\$1,329	10.6%
Northwest Philadelphia	98.3%	220	\$1,601	5.7%
Outer Wilmington	98.1%	60	\$1,462	12.3%
Southwest Philadelphia	96.5%	250	\$1,899	10.2%

Philadelphia vs. National Effective Rent & Occupancy



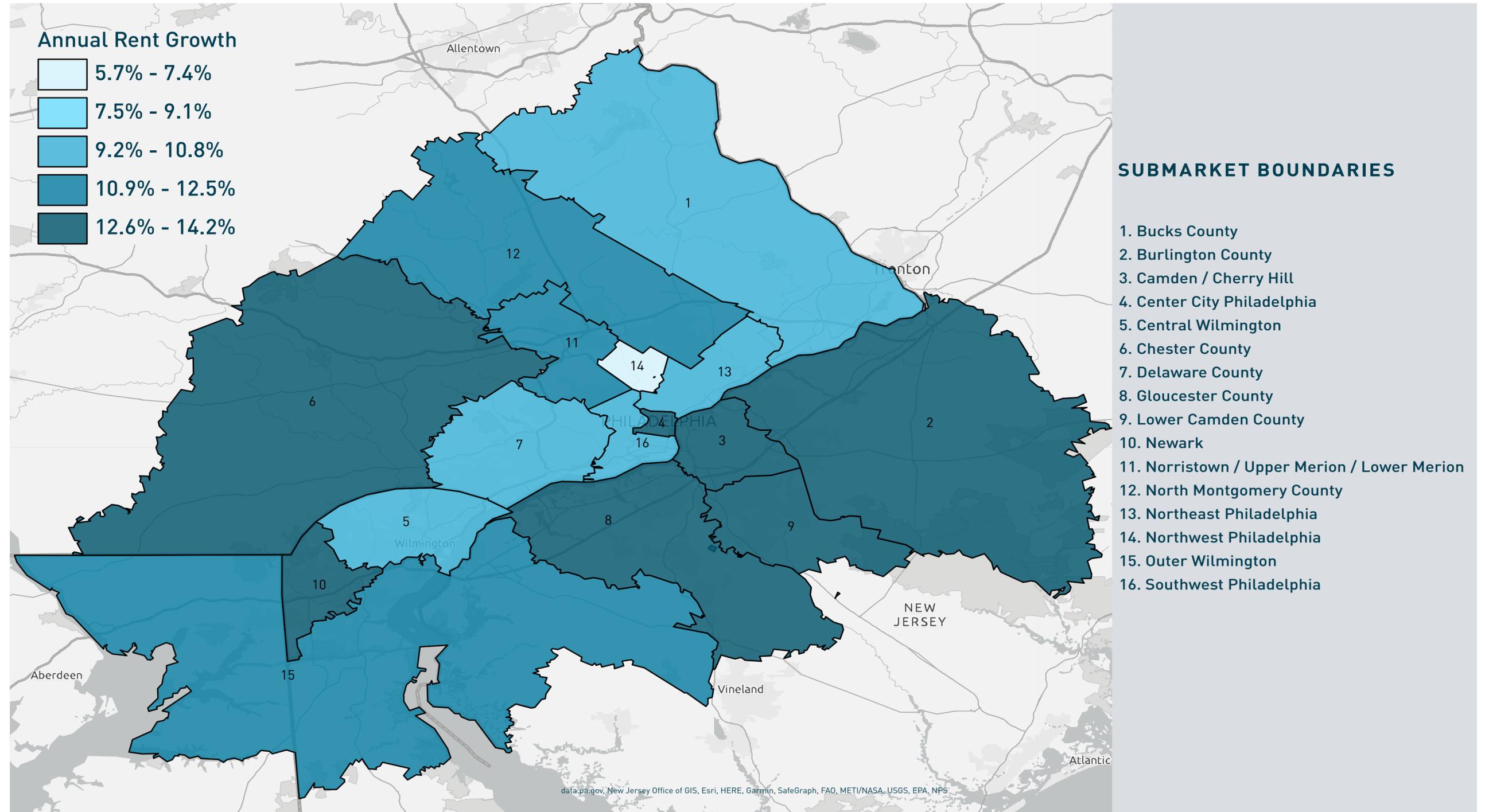
Source: RealPage



PHILADELPHIA, PA

SUBMARKET ANNUAL RENT CHANGE

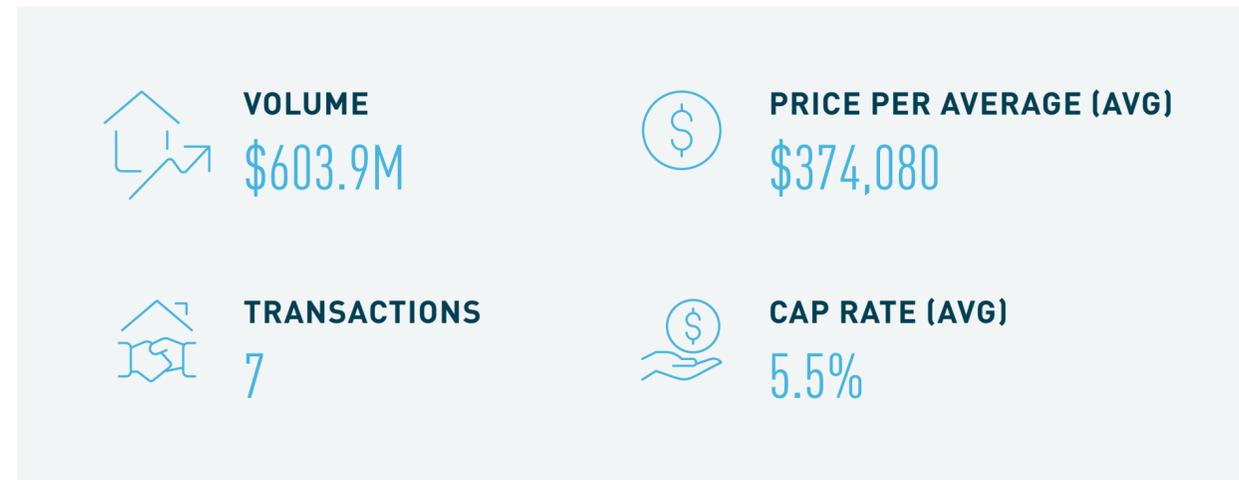
The strongest gains are occurring in lower-priced, outlying submarkets. These areas benefitted as affordability constraints and work-from-home arrangements brought on during the pandemic continue to encourage renters to venture further out from Philadelphia's more expensive, close-in submarkets. Several submarkets in Southern New Jersey, as well as Newark and Chester County recorded the highest year-over-year rent gains of 12.7% to 14.2%. Greater Center City has capitalized on the growing national preference for diverse, walkable, live-work neighborhoods to become the fastest growing residential section of Philadelphia. While the submarket recorded 12.5% annual effective rent growth, it remained the priciest, averaging \$2,450 per month. Going forward, the pace of rent gains in Center City is likely to slow given the oncoming competition from new developments.





PHILADELPHIA, PA SALES

2022 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$50m+

Top Buyers**

BUYER	LOCATION
United Dominion Realty Trust Inc.	Highlands Ranch, CO
Fairstead Capital	New York, NY
Castlelake LP	Minneapolis, MN
Pantzer Properties	New York, NY
Sentinel Real Estate	New York, NY

Top Sellers**

SELLER	LOCATION
The Hanover Co	Houston, TX
Capri	Chicago, IL
Woodfield Investments	Arlington, VA
Candlebrook Properties	New York, NY
Lubert-Adler	Philadelphia, PA

**Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

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