

PHILADELPHIA, PA MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]
INSTITUTIONAL SOLUTIONS



Jobs Added / Lost

LAST 12 MONTHS

73,500

↑ 2.4%

NEXT 12 MONTHS*

10,700

↑ 0.3%

Unemployment

MIDYEAR 2023

3.8%

↓ 20 BPS YOY

MIDYEAR 2024*

3.8%

⊙ 0 BPS YOY

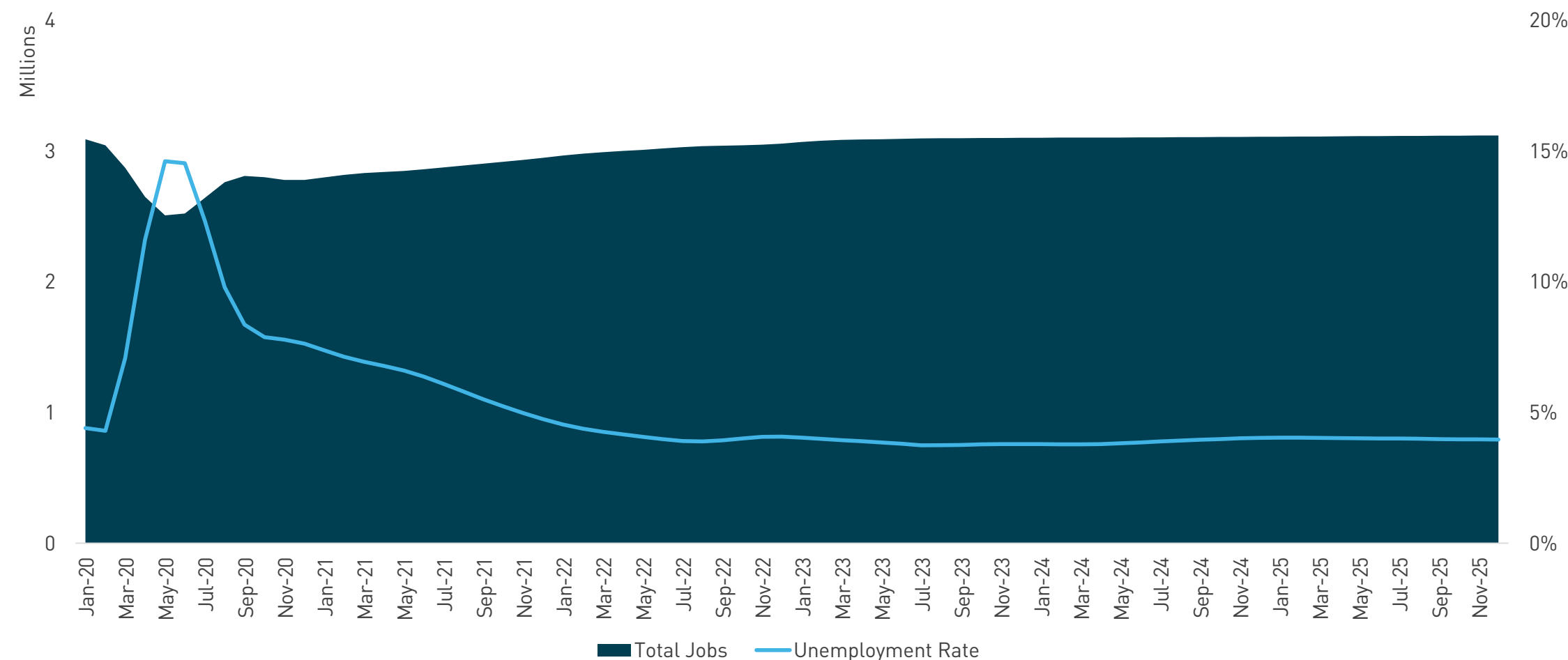
*Projected

PHILADELPHIA, PA EMPLOYMENT

Home to the University of Pennsylvania, Temple University, and their associated healthcare systems, the private education and healthcare sector is a core of the Greater Philadelphia economy. This sector accounted for 23% of all jobs in the metro as of June 2023. The market share increased in the last year, as the private education and healthcare workforce grew by a metro-leading 29,400 positions, or 4.4%. Beyond the sheer volume of jobs, these hires typically represent better paying positions. In the healthcare industry, the average annual wages range from \$34,300 for support positions to \$97,500 for practitioners and technical positions. Part of the recent hires came ahead of Riddle Hospital summer 2023 opening of a five-

story patient pavilion with 76 private patient rooms, 10 modern surgical suites, a neonatal intensive care unit, and an atrium. Private education and healthcare payroll growth is forecast to continue, albeit at a slower pace over the next year. This deceleration would mirror the total nonfarm employment trend, which expanded 2.4% in the last year and is projected to increase 0.3% over the next 12 months. Some of the healthcare additions will come as Penn Medicine creates a new crisis response center at the Hospital of the University of Pennsylvania – Cedar Avenue. The center is set to open in the second half of 2023 and is expected to handle an estimated 4,000 patient visits each year.

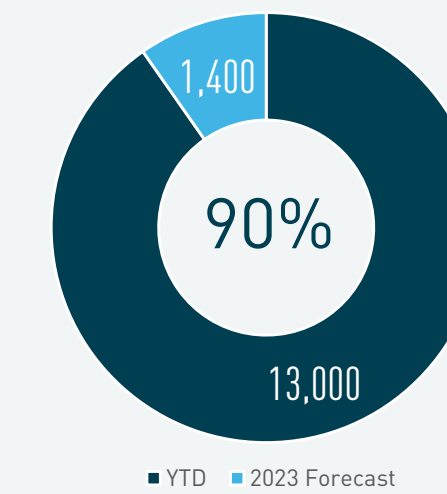
Employment Trends



Source: Moody's Analytics

Who's Hiring?

PRIVATE EDUCATION & HEALTHCARE INDUSTRY



23%
OF ALL JOBS IN THE METRO

\$97,500
AVERAGE ANNUAL SALARY

Top Private Education & Healthcare Employers

Penn	46,400 JOBS
Children's Hospital of Philadelphia	16,800 JOBS
Einstein HEALTHCARE NETWORK	8,500 JOBS

In The News

- [School District of Philadelphia is hiring for 1,000 positions](#)
- [TSA recruiting officers to work at Philadelphia International Airport](#)
- [Greater Philadelphia law firm leaders focused on hiring in 2023](#)



PHILADELPHIA, PA DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

12,209

ABSORPTION

8,975

2024 Units*

DELIVERIES

13,990

ABSORPTION

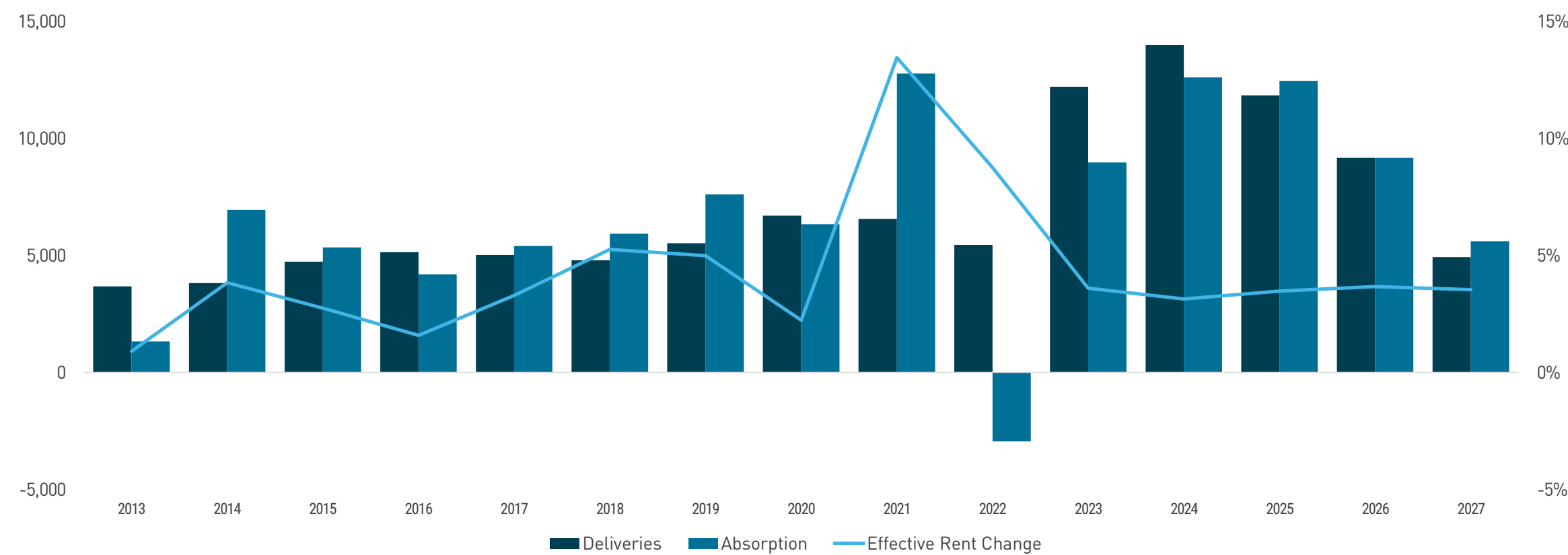
4,503

*Projected

Coming out of the Great Financial Crisis, households across Greater Philadelphia have increased on average by 17,200 units every year. With single-family home construction activity as well as existing inventory for sale unable to keep up with the housing demand, apartment developers have stepped up efforts to fill the gap with 4,000 units added on average every year from 2010 through 2019. Construction activity was impacted by the pandemic and rising costs to build since, leading to long development timelines as well as delays in apartment project starts. As a result, the construction pipeline swelled, leading to a wave of new apartment inventory. Deliveries are set to crest in 2024 as nearly 14,000 units are scheduled to come online, up from the

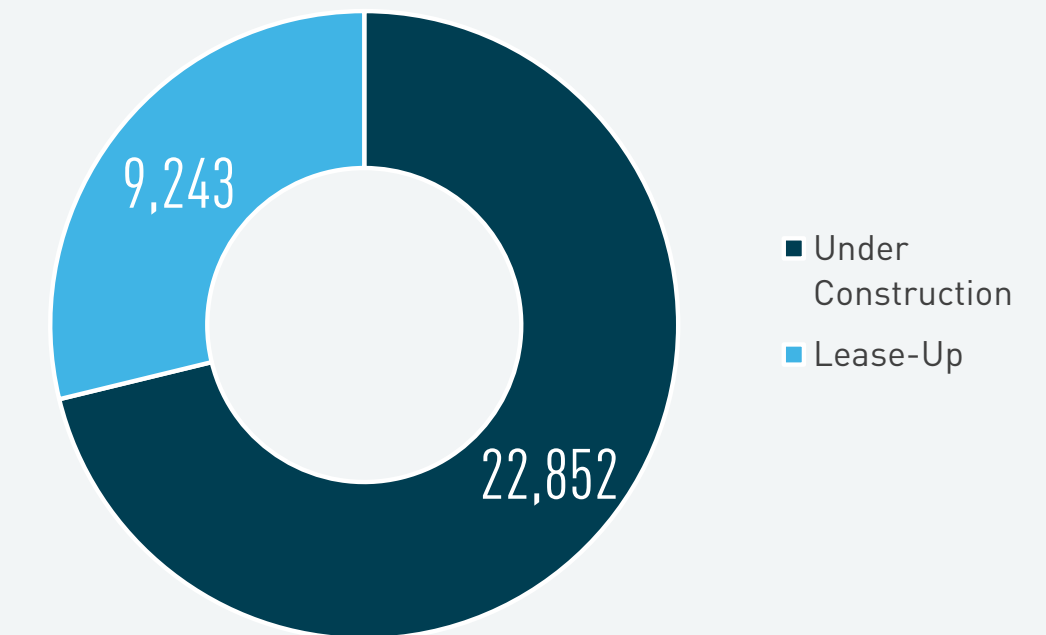
12,200 units set to begin lease-up this year. Additional housing will be needed as households are forecast to grow by nearly 10,900 units annually through 2024. Many of these households are expected to show a propensity for renting as net absorption is projected to shift positive this year and heighten ever more in 2024. Underpinning the metrowide forecast is strong leasing activity anticipated in the Center City Philadelphia submarket. With more than 307,300 jobs and approximately 109,000 students enrolled in higher education institutes in and around the submarket, apartment operators have recorded net positive absorption in 9 of the last 10 years.

Deliveries, Absorption, & Effective Rent Change

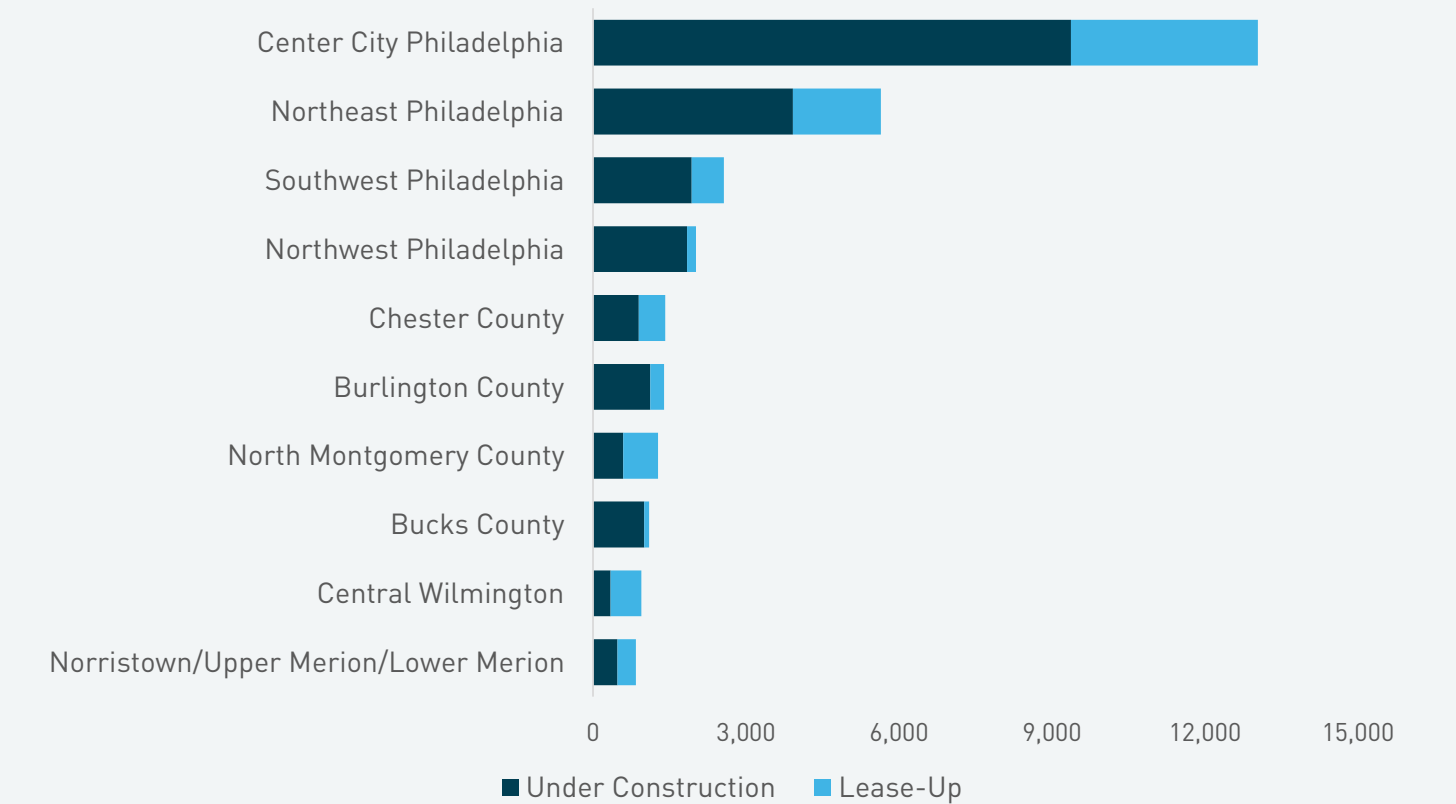


Source: RealPage

Market Pipeline



Top 10 Submarket Pipelines

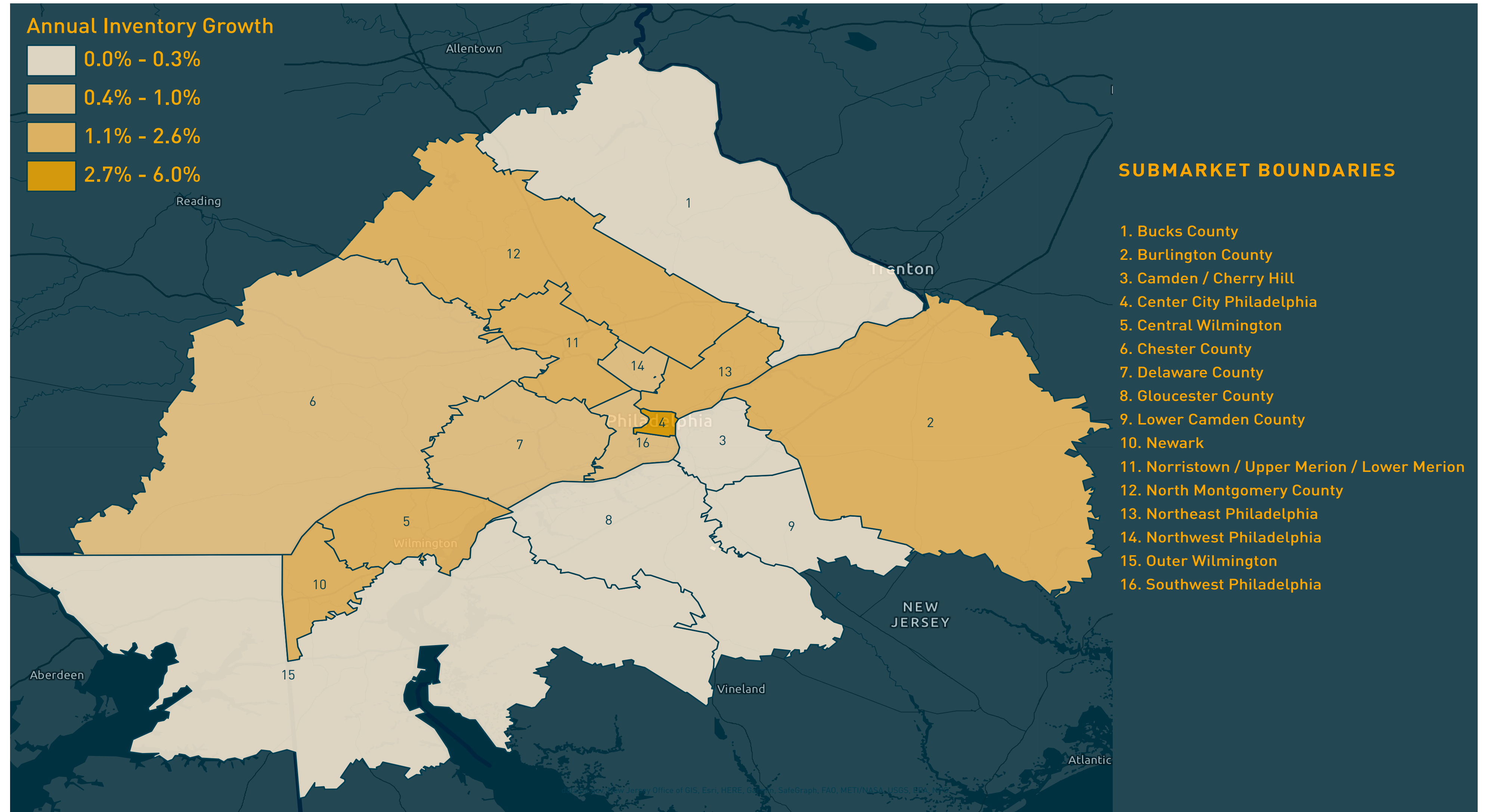




With nearly 9,400 units under construction as of mid-2023, the Center City Philadelphia pipeline was one of the largest in the country. Developers have focused on adding Class A, amenity-rich housing for one of the densest job centers in the region. Several of those jobs work out of the 40 million square feet of office space as more employers adopt a hybrid work environment, with foot traffic reaching 50% to 60% of pre-pandemic levels Tuesday through Thursday so far this year. This trend benefitted recent apartment development as total and percentage of inventory growth in the Center City Philadelphia submarket led all other areas of the metro in the last year. Builders brought 2,600 units online since mid-2022, representing a 6.0% annual apartment inventory change. While not keeping pace with the new supply, annual net absorption exceeded 2,100 units in the last year.

PHILADELPHIA, PA

SUBMARKET ANNUAL INVENTORY CHANGE





PHILADELPHIA, PA RENT & OCCUPANCY

Effective Rent

Q2 2023

\$1,780

↑ 5.0% YOY

Occupancy

Q2 2023

95.7%

↓ 210 BPS YOY

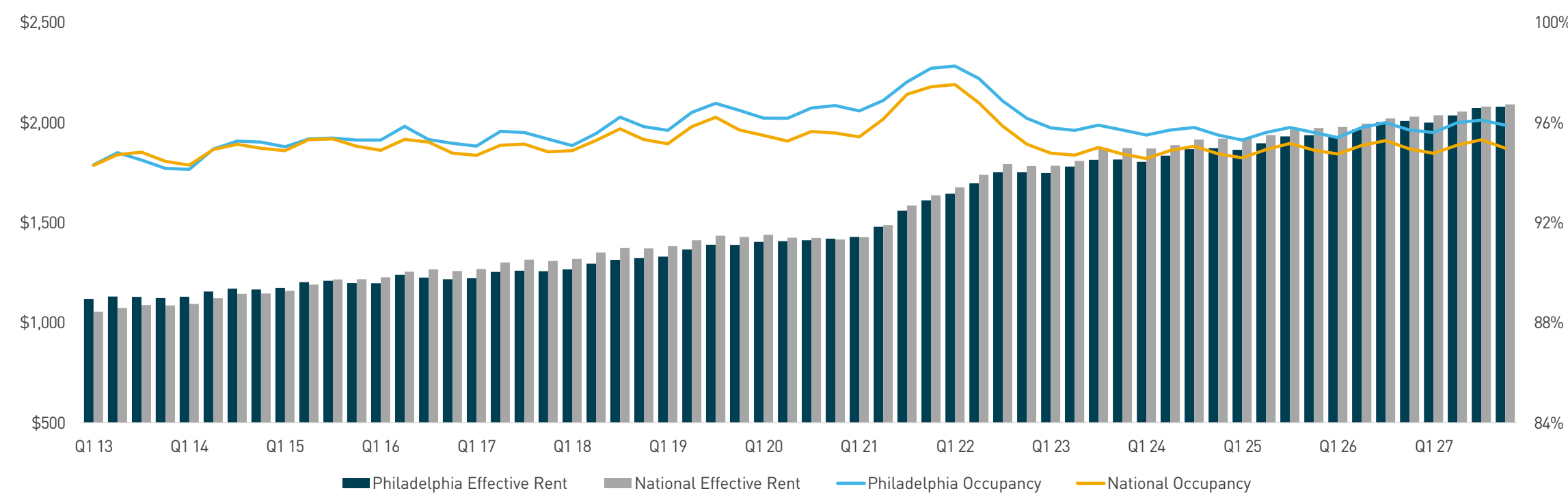
Undergoing an apartment supply wave across Greater Philadelphia, more and more operators utilized concessions to attract and to retain renters. The share of market-rate units offering concessions reached 10.3% in the second quarter of 2023, up from 7.1% from one year prior.

This trend was most prominent in the Center City Philadelphia submarket. With a metro-leading new inventory coming online in the last year, 22.0% of units offered concession in the second quarter of 2023, rising from a 16.1% share in the second quarter of 2022. Even though more operators are implementing concessions, the amount has dropped year over year. Average concessions

were down from 10.6% of asking rent a year ago to 8.3% in the Center City Philadelphia submarket during the second quarter of 2023. At the same time, average metrowide concessions dropped from 6.4% to 5.5% of asking rent.

Underpinning apartment operators' confidence to trim concession was occupancy shifting closer to the pre-pandemic average, even amid the inflow of new apartment stock. At 95.7% in the second quarter of 2023, Greater Philadelphia occupancy was 10 basis points higher than the five-year average leading up to 2020. Part of reason occupancy remained healthy was a 61% average renewal conversion across the metro in the last year, significantly higher than 54% U.S. average at the same time.

Philadelphia vs. National Effective Rent & Occupancy



Source: RealPage

Submarket Performance

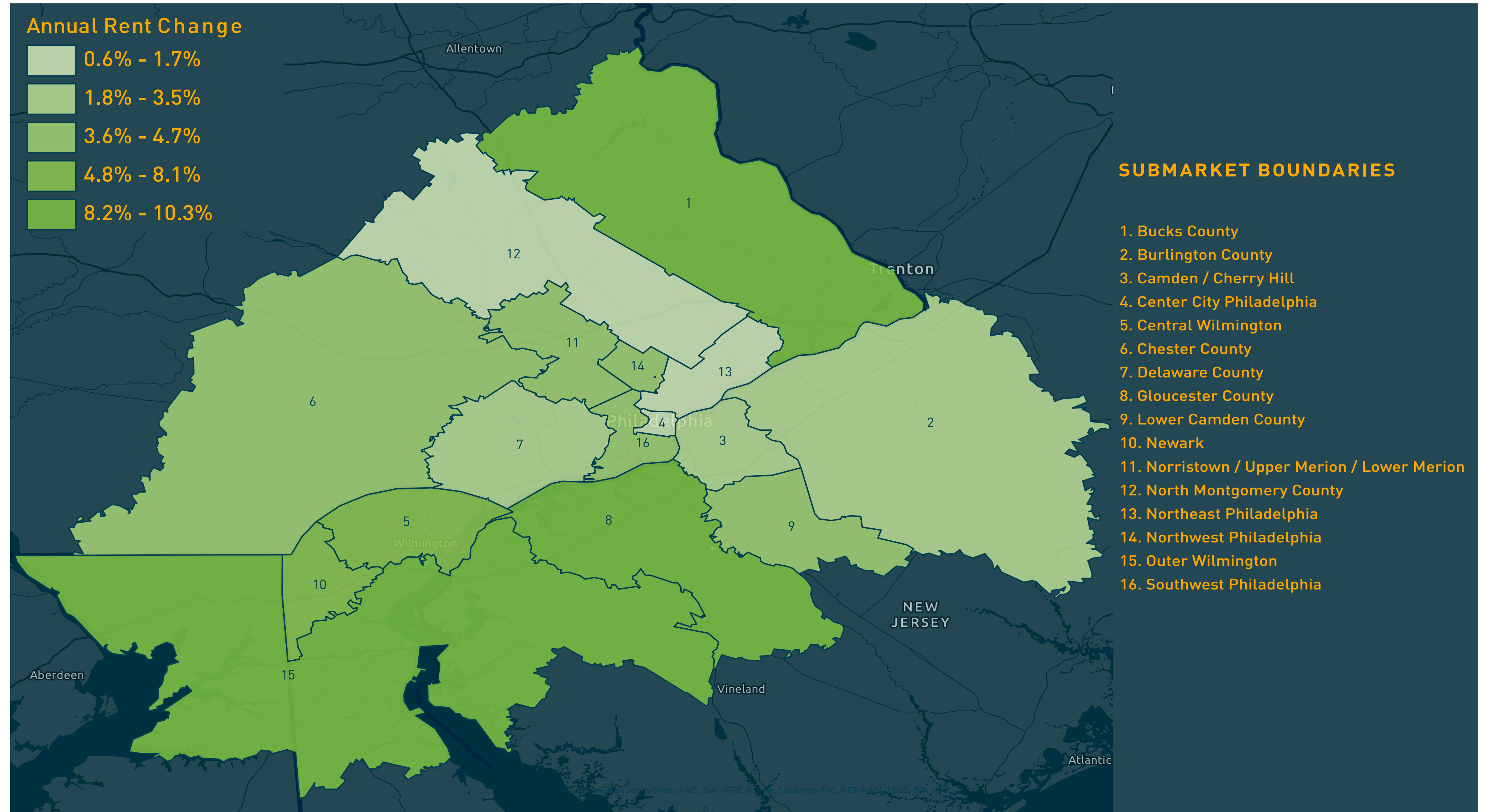
SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Bucks County	97.3%	-150	\$1,659	9.0%
Burlington County	97.4%	-110	\$1,729	3.5%
Camden/Cherry Hill	94.9%	-320	\$1,840	2.6%
Center City Philadelphia	94.7%	-80	\$2,470	0.6%
Central Wilmington	95.9%	-180	\$1,581	8.1%
Chester County	95.0%	-250	\$1,971	4.5%
Delaware County	96.1%	-170	\$1,516	3.3%
Gloucester County	96.6%	-250	\$1,678	10.2%
Lower Camden County	95.7%	-290	\$1,502	4.1%
Newark	96.5%	-200	\$1,546	7.1%
Norristown/Upper Merion/Lower Merion	95.3%	-140	\$1,958	4.6%
Northeast Philadelphia	96.7%	-90	\$1,351	1.7%
North Montgomery County	94.8%	-340	\$1,832	1.7%
Northwest Philadelphia	95.1%	-320	\$1,671	4.7%
Outer Wilmington	95.4%	-260	\$1,605	9.6%
Southwest Philadelphia	93.2%	-320	\$1,970	4.6%



PHILADELPHIA, PA

SUBMARKET ANNUAL RENT CHANGE

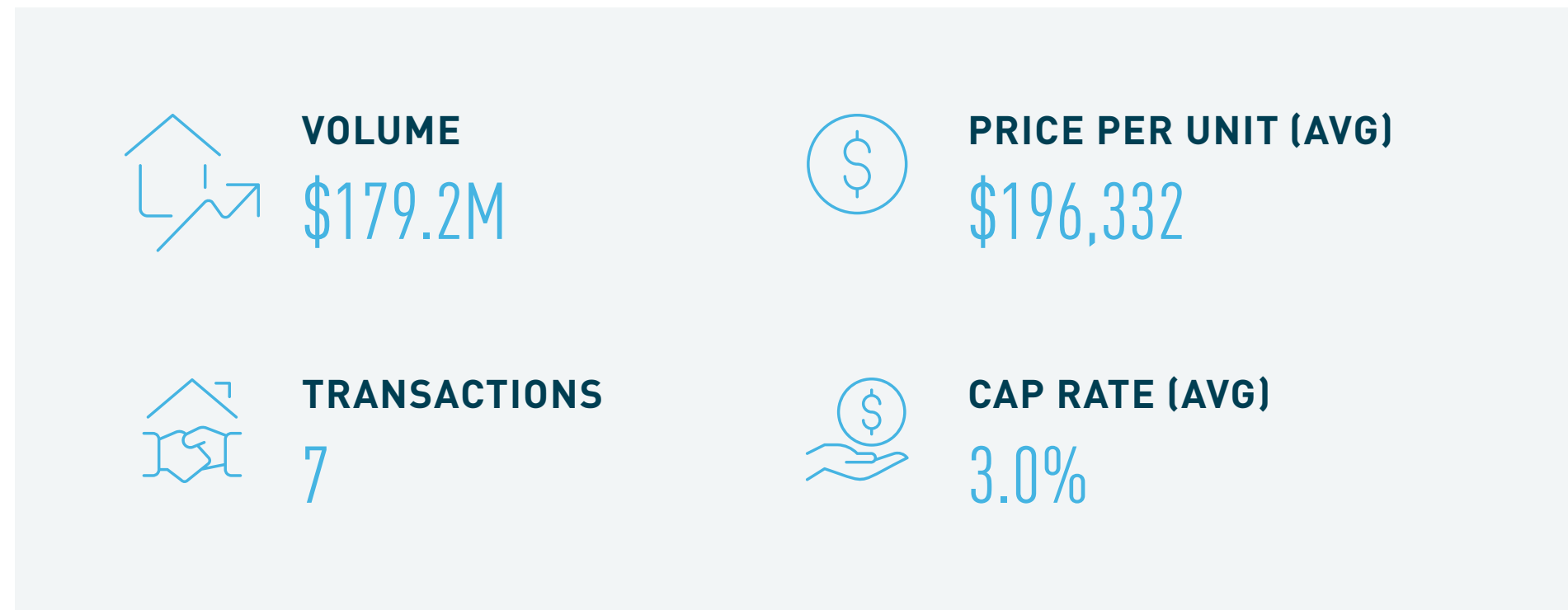
A muted apartment pipeline in recent years has contributed to strong occupancy in Gloucester County. At 96.6% in the second quarter of 2023, the submarket occupancy rate was 90 basis points higher than the metro average at the same time. Healthy occupancy, combined with rents running below Greater Philadelphia prompted operators in the submarket to advance rent 10.2% over the last year. Gloucester County was the only submarket in the metro to reach double-digit annual rent growth. Even so, monthly effective rent averaged \$1,678 in the second quarter of 2023, a 7% discount compared to the market and 9% lower than the neighboring Camden/Cherry Hill submarket. These conditions in Gloucester County are expected to persist in the near term as the submarket is forecast to again lead the market for effective rent growth over the next year.





PHILADELPHIA, PA SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
KKR Real Estate Select Trust	New York
Mack Real Estate Group	New York
Pantzer Properties	New York
UDR	Highlands Ranch, CO
Castlelake	Minneapolis, MN

Top Sellers**

SELLER	LOCATION
Post Brothers	Philadelphia
The Hanover Co.	Houston
Pantzer Properties	New York
Capri Investment Group	Chicago
P&A Associates	Philadelphia

**Past 24 Months



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

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