GREA

MARKET INSIGHT REPORT

PHILADELPHIA
SPRING 2024
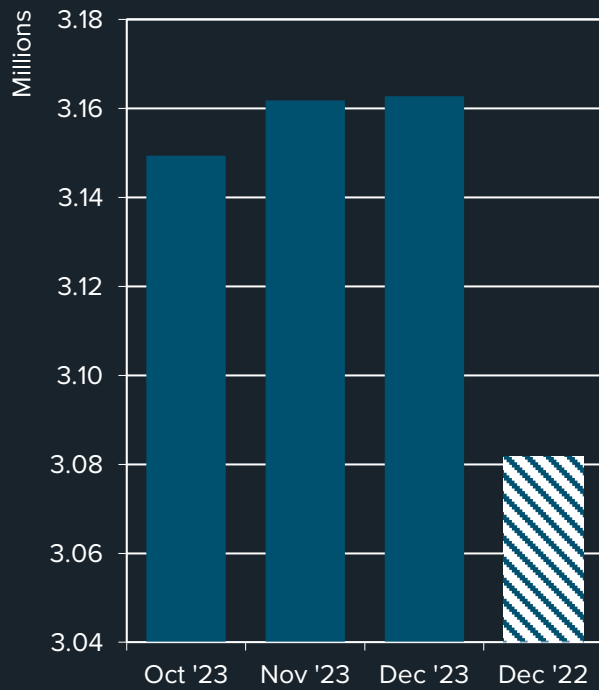
Employment / Unemployment

The Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area is the seventh-largest metro in the United States with a population of over 6.2 million residents. Net migration has increased in recent years as younger professionals from large East Coast metros like New York City pursued a more affordable cost of living. Over 16,500 people are projected to relocate to Philadelphia between 2022 to 2026, and the region is anticipated to gain 37,900 residents from 2023 to 2027, an increase of 0.2%.

The Philadelphia Region has a highly skilled and educated workforce of approximately 3.3 million individuals, augmented by over 100 colleges, universities, and technical schools. Greater Philadelphia has a Gross Regional Project (GRP) of $450 Billion and contains 13 Fortune 500 companies such as DuPont, Toll Brothers, Comcast, Amerisource Bergen, and Lincoln National Corporation. Philadelphia's economy is poised for continued growth and diversification in the coming years with a world-class transportation network and a location advantage that can reach 40% of the U.S. population in about a day's drive. Some leading industries with the largest concentration of employment are financial services, life, sciences, education and health care, advanced manufacturing, transportation, and technology.

• 81,100 Total nonfarm jobs were added in December 2023, a year-over-year increase of 2.6%.
• The leisure and hospitality sector had the largest employment growth rate at 7.2% and 18,500 jobs added, followed by education and health care with a growth rate increase of 5.6% and 39,000 jobs gained.
• The average hourly wage in the Philadelphia region is $31.01, above the U.S. average of $29.76
• The education and health care industry supersector employs nearly 700,000 workers, making up the largest share (23%) of the region's employment.

Total Employment

Unemployment
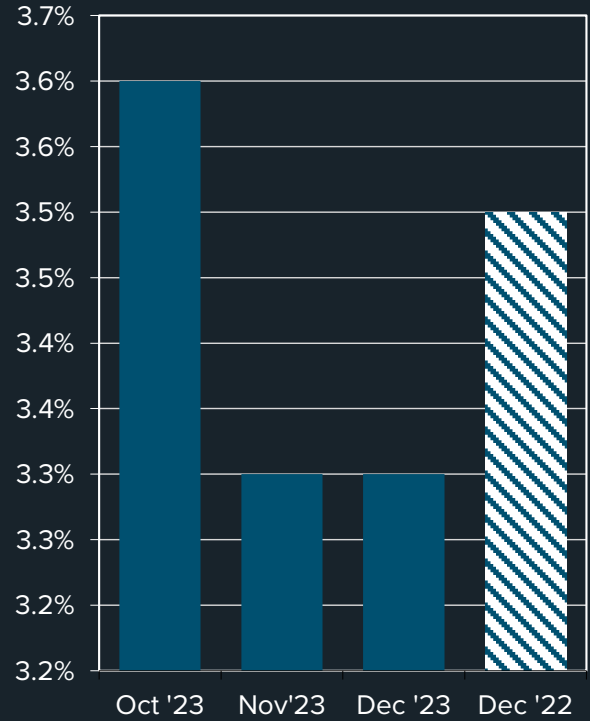
Metro Area Employment (Thousands)	June 2023	Philadelphia	National
Total Non-farm	3162.8	2.6%	2.0%
Mining, Logging, and Construction	128.4	4.2%	2.6%
Construction (National Only)	-	-	3.4%
Manufacturing	183.3	0.9%	1.2%
Trade, Transportation & Utilities	571.7	-0.3%	0.6%
Information	54.8	0.2%	-2.6%
Financial Activities	230.7	0.2%	1.0%
Professional and Business Services	510.7	1.6%	0.6%
Education and Health Services	734.4	5.6%	4.2%
Leisure and Hospitality	276.5	7.2%	3.5%
Other Services	127.4	3.6%	1.8%
Government	334.9	1.6%	3.2%

Source: U.S. BLS, Current Employment Statistics

Philadelphia Rental Market

- Rent growth in the Philadelphia metro area outpaced the nation's 0.8% growth rate, and cumulative growth was 14.6% over the past three years. Occupancy in the Region has consistently held above national levels since 2016, and the region still holds the seventh-highest occupancy rate among the top 20 metros in the U.S. Nonetheless, the economic headwinds in 2022 and 2023 resulted in slowed rent growth to 1.7% at the beginning of Q1 2024.

- Rent growth remained positive at the end of 2023 with a growth rate increase of 1.7%.

- Supply-constrained multifamily market areas had the strongest rent performance.

2.0%
Historic Average Asking Rent Growth YoY
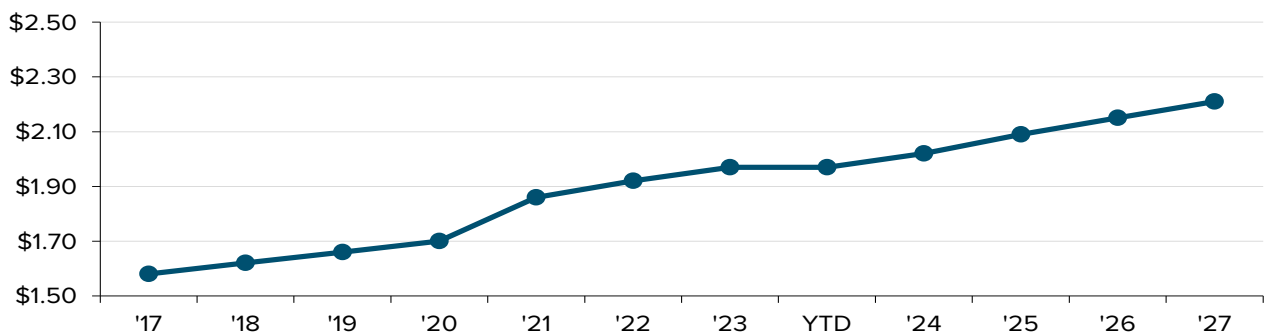
Source: CoStar

- The region's first quarter 2024 occupancy rate of 93.1% is above the national average of 92.4%.

- Southwest Philadelphia led the region in rent growth at 8% in Q4 2023, followed by Central Bucks County, Upper Bucks County, and Camden / Pennsauken with rent gains between 5% and 5.5%.

- Submarkets that had the highest rent increases like Fishtown and Northern Liberties had the greatest slow-down in rent growth and an uptick in concessions due to heavy supply volume entering the market.

Average Rent / Vacancy
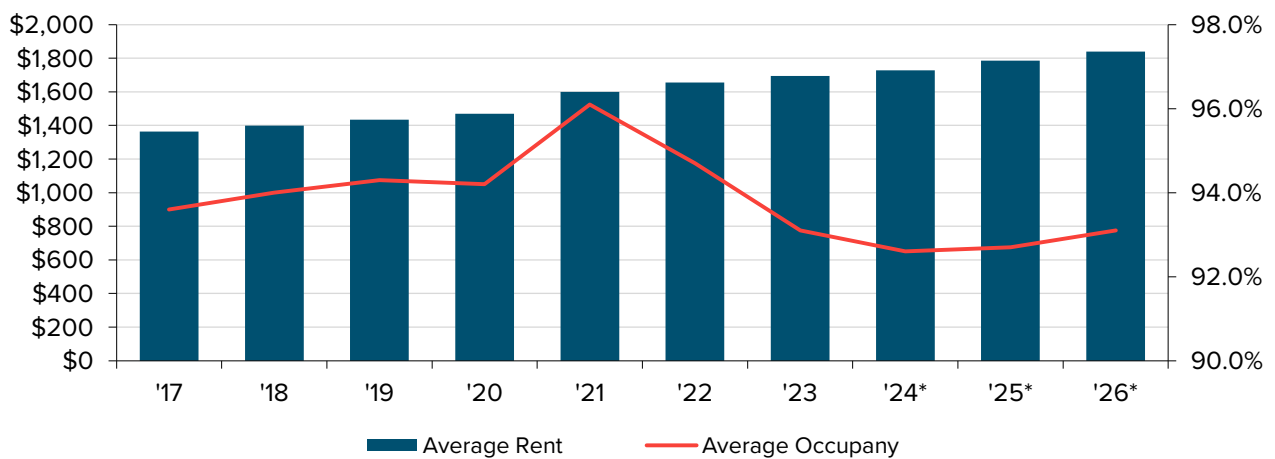
*Source: CoStar | *Projected*

Asking Rent / SF

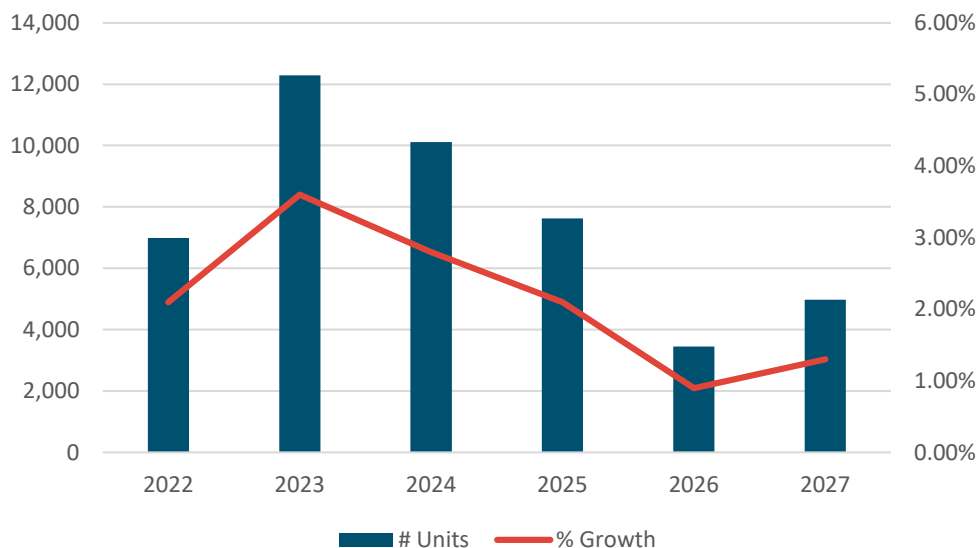*Source: CoStar | *Projected*

Multifamily Construction

- A total of 19,000 multifamily units are currently under construction in the Philadelphia MSA and account for 5.3% of the metro's total apartment inventory, marking the highest level in over 20 years.

- Over 11,000 units are scheduled to be completed in 2024.

- 75% of the units under construction, or 14,000 out of 19,000 units total, are in the upper-tier segment.

- Luxury properties in Center City and the surrounding area will have the largest number of new deliveries to come online in the months ahead with approximately 12,500 units.

- There were 12,000 new deliveries and 6,000 units absorbed over the past 12 months.

- Philadelphia's downtown neighborhoods have accounted for 60% of the metro's total absorption in the past year.

- Permitting in the city of Philadelphia in 2023 stalled to its lowest level in 10 years with less than 2,500 units approved. This will assist in easing supply pressures and bring balance to the market as new supply is absorbed.

10,113 New Units
Expected Completions for 2024

**Completions / Net Absorption**

Legend: # Units — % Growth

Source: CoStar | *Projected

Permits

- The median sale price for single family homes in the Philadelphia metro was $350,000 as of December 2023.

- The total number of active single family for-sale listings was 13,770 as of January 2024.

- The total number of units sold was 5,309.

Total Residential Building Permits

■ Multifamily Units (5+ Units)   ■ Single Family Units (1-4 Units)
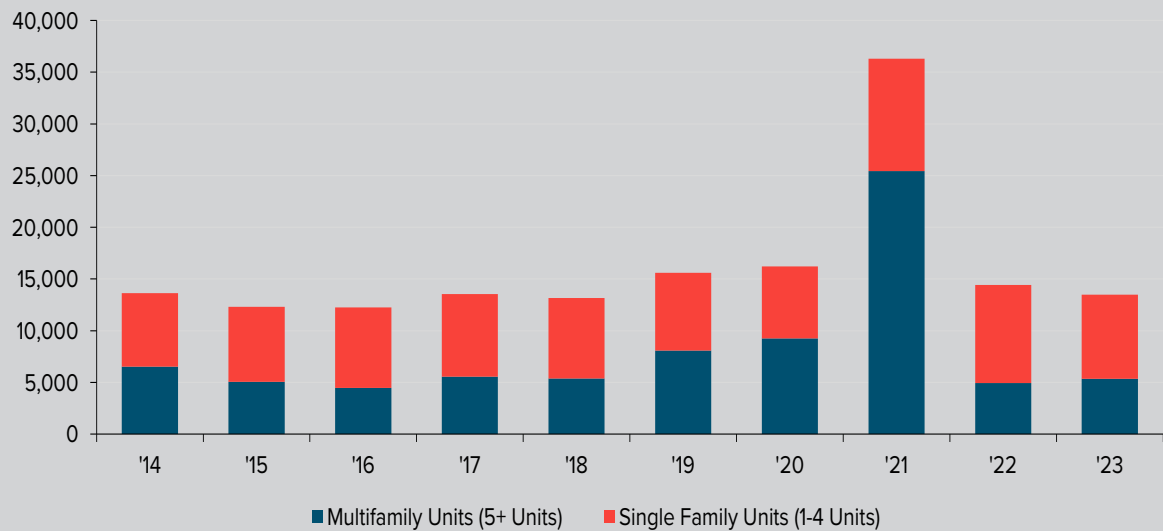
*Sources: U.S. Census, GREA Research, Multifamily Includes Condos | *Projected*

8,128
Single Family
Permits

5,348
Multifamily Permits
(5+ Units)

$350K
Median Single
Family Price

- Interest rate volatility and the high cost of debt in 2023 caused values to soften, capitalization rates to increase, transaction volume to decelerate.

- Local private and national investors were on the forefront of activity over institutional investors, and cash buyers held the advantage.

Average Sales PPU / Cap Rate
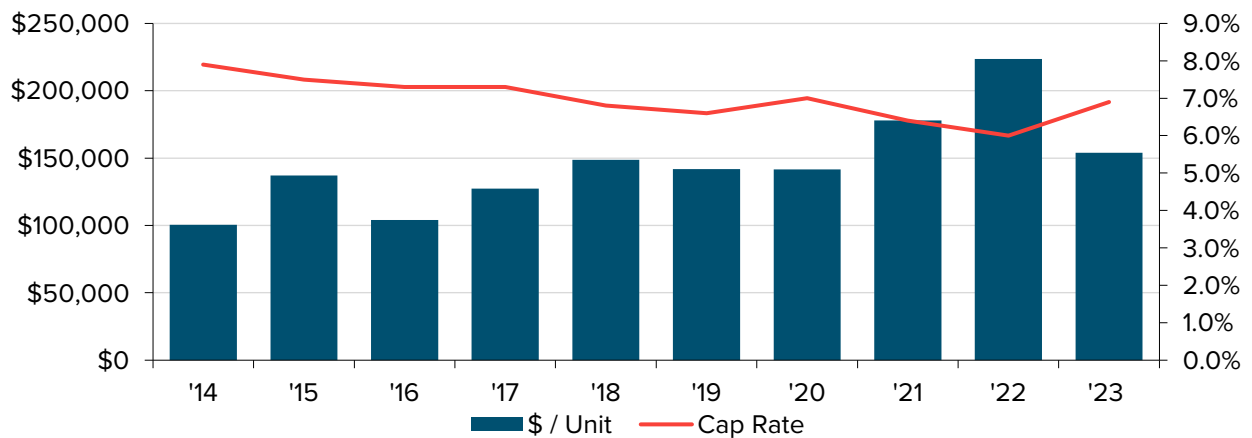
*Source: CoStar | YTD as Reported by CoStar | *Projected*

**$196,281**
Avg. Sold Price / Unit YTD

6.1%
Avg. Cap Rate

- Close to 5,100 units were traded in 2023, and approximately 80% of the units were in the value-add mid-tier or lower asset category.

- Annual sales volume has dropped to $624 million in Q1 2024, falling below the market's five-year annualized average of $2.1 billion.

- The average price per unit in late 2023 was $200,000, down from $230,600 per unit in the first half of 2022.

- Sales volume is expected to remain slow through the first half of 2024 and gain momentum later in the year as interest rates and inflationary effects ease and begin to normalize.

$595M
12 Mo. Sales Volume

Apartment Sales Transactions
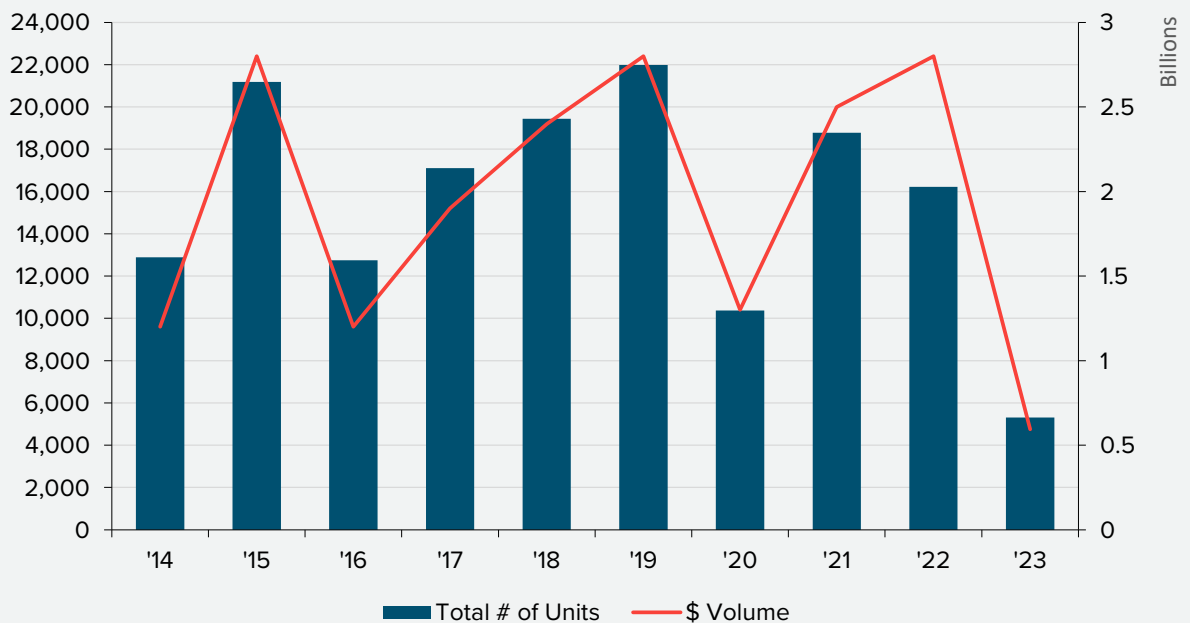
Legend: Total # of Units (bars), $ Volume (line)

Source: CoStar

KEN WELLAR
Founding Partner
O | 215.454.2879
ken.wellar@grea.com

COREY LONBERGER
Founding Partner
O | 215.454.2878
corey.lonberger@grea.com

LUKE DELUCA
Managing Director
O | 215.989.4440
luke.deluca@grea.com

ROBERT DIPASQUALE
Director
O | 215.454.2908
bob.dipasquale@grea.com

DOUG EMRICH
Associate Director
O | 215.454.2889
douglas.emirch@grea.com

ALAN KRAWITZ
Associate Director
O | 267.323.4083
alan.krawitz@grea.com

DANIEL YADGAROFF
Associate Director
O | 267.323.4088
daniel.yadgaroff@grea.com

BRIAN GOLA
Associate
O | 484.881.1783
brian.gola@grea.com

GREA

107 South 2nd Street; 4th Floor
Philadelphia, PA 19106

www.GREA.com