MARKET INSIGHTS | SUMMER 2024 | PHILADELPHIA METRO

Summer 2024

$1,759	92.8%	$441.6M	+2.3%	+1.1%
Average Rent	Average Occupancy	YTD Sales Volume	YoY Rent Change	Occupancy Change

July 29, 2024

Share Article:

The city of Philadelphia serves a population of nearly 1.6 million residents and is the cultural, financial, and economic hub of a five-county region that includes Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in southeast Pennsylvania. The broader Philadelphia-Camden-Wilmington, PA-N.J.-Del.-MD., Metropolitan Statistical Area (MSA) is spread across southeastern Pennsylvania, southern New Jersey, and northern Delaware and is within a day's drive of 40% of the U.S. population. Philadelphia benefits from its strategic geographical location, lower living costs compared to Washington D.C., New York City, and Boston, and rich cultural and recreational amenities.

Employment

Greater Philadelphia exerts global influence as one of the nation's largest markets and generates over $450 billion in gross regional product. The region is home to 13 Fortune 500 companies and approximately 100 colleges and universities. 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. Exceptional transportation options like train connectivity from Washington D.C. and New York City strengthen the metro area's 3.3 million strong highly skilled workforce. Philadelphia has a diversified economy with the leading industries in the areas of finance, insurance, law, education, life sciences, medicine, research, and leisure and hospitality. The education and health care supersector employs about 730,000 area residents and accounts for over 20% of the region's workforce.

		% Δ from May 2023	
Metro Area Employment (Thousands)	May 2024	Philadelphia	National
Total Non-farm	3,124.30	1.4%	1.7%
Mining, Logging And Construction	126.6	0.2%	1.7%
Manufacturing	181.8	0.4%	0.2%
Trade, Transportation, and Utilities	539.1	-1.0%	0.6%
Information	52.7	-2.6%	-1.2%
Financial Activities	230.4	0.6%	0.4%
Professional and Business Services	497.9	-1.1%	0.5%
Education and Health Services	733.7	4.6%	4.1%
Leisure and Hospitality	289.2	4.3%	2.4%
Other Services	125.4	1.5%	1.7%
Government	547.5	1.5%	2.6%

Source: U.S. Bureau of Labor Statistics

Rental Market

Renter demand has been strong and steady over the past 12 months, following a 10-year low in market performance in 2022. Rent growth in the Philadelphia metro area varies by regional location and asset class, with mid-tier, three-star properties generating the strongest gains. Suburban submarkets like Bucks County, Burlington, and Cherry Hill experienced strong rent growth between 4.0% and 5.5% due to supply limitations. Supply-constrained suburban areas, particularly in Southern New Jersey, have outpaced the regional average rent growth of 1.1%, according to CoStar. In contrast, prime urban neighborhoods experienced a decline in rent growth in the first half of 2024 due to an influx of new deliveries. Rent gains in Northern Liberties and Fishtown declined between -0.6% and -1.5%. As of Q3 2024, the vacancy rate for the region was 7.2%, compared to the national vacancy rate of 7.8%. In Northern Liberties and Fishtown, the vacancy rates were notably higher at 24% and 20%, respectively, as of May 2024. Competitive lease terms and concessions are expected to increase in the second half of 2024 and into 2025 for both new and existing inventory in the City of Philadelphia submarkets. Currently, over 25% of apartment communities offer renter concessions, compared to 6.5% in the suburbs.

$1,491 Average Monthly Mortgage Payment

$1,759 Average Monthly Rent

Source: Business Insider

Average Rent / Vacancy

Asking Rent / Bedroom

Multifamily Construction

Absorption levels have been strong over the past year, with submarkets near downtown Philadelphia accounting for the highest level of annual absorption. Over the past 12 months, 13,644 units were delivered throughout the metro area, and 9,300 units were absorbed. Currently, about 11,000 units are under construction, with more than 11,000 units scheduled for completion in 2024. Of the units under construction, 75% are in the upper-tier segment, and 70% are located in upscale areas within the City of Philadelphia. Vacancies in these prime segments stand at 12.7%, approximately 350 basis points higher than the overall market average, according to CoStar. Construction starts have plummeted 55% year-over-year over the past 12 months, indicating that development will likely wane by the end of 2025. As supply pressures ease, market fundamentals are expected to balance toward pre-2019 historic norms.

8.2K Multifamily Completions Past 12 Months

2.3K Single Family Permits

2.1K Multifamily Permits (5+ Units)

$400K Median Single Family Price

Completions / Net Absorption

Units by Submarket Delivering in 2024

3,740 Units Under Construction

2,313 Units UC Delivering in the Next 4 Quarters

Search:

Submarket	Units Under Construction	% of Total UC	12 Month Deliveries
Art Museum/Northern Liberties	2,041	14.4%	2,246
Camden / Pennsauken	0	0.0%	0
Cecil County	549	18.4%	0
Center City	1,101	4.2%	1,549
Central Bucks County	303	6.8%	49
Cherry Hill / Haddonfield	252	2.3%	370
Conshohoken/Plymouth Meeting	0	0.0%	348
Horsham / Willow Grove	412	3.0%	219
Lower Bucks County	1,005	4.8%	200
Lower Burlington County	300	2.6%	274
Lower Camden County	360	2.0%	312
Lower Chester County	166	14.6%	0
Lower Delaware County	0	0.0%	0
Lower Gloucester County	0	0.0%	0
Main Line	172	2.0%	206

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Multifamily Sales

At the beginning of Q3 2024, the annual investment volume stood at $713 million, significantly below the 10-year average of $1.9 billion. In the past year, less than 10% of the 240 multifamily properties that traded exceeded $10 million, a stark contrast to 2022 when 30% of the 325 multifamily transactions surpassed this threshold. Value-added sales have driven the majority of transaction activity. In 2023, approximately 80% of the roughly 5,000 units sold were rated three-star or below, according to CoStar. Local private investors and developers, along with national players, have been at the forefront of transaction activity, while most institutional investors have remained on the sidelines. With elevated interest rates, cash buyers will continue to hold a competitive advantage through the end of the year.

$393M YTD 12 Mo. Transaction Volume

-46.0% 12 Mo. Change

$185,289 Price Per Unit

-1.3% Annual Price Change

Average Sales PPU / Cap Rate

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