MARKET INSIGHTS | WINTER 2025 | PHILADELPHIA

Winter 2025

$1,785
Average Rent

92.3%
Average Occupancy

$1.3B
12 Mo. Sales Volume

-1.2%
YoY Rent Change

February 5, 2025

Share Article:

The Philadelphia Metro 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. With the City of Philadelphia at its center, 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, each area with its unique economic assets. Philadelphia is within a day's drive of 40% of the U.S. population and benefits econmically 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 11 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 3.2 million+ atrong 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 over 755,000 area residents and accounts for over 20% of the region's workforce.

According to the Greater Philadelphia Economic Forecast for 2025, a significant portion of business leaders (42%) are planning physical expansion, with a notable 14.5% of those expansions occurring within the region itself. Furthermore, almost 64% of businesses intend to maintain their current presence in Greater Philadelphia, highlighting the region's strong position as a top 25 global business startup ecosystem as recognized by Startup Genome.

		% Δ from December 2023	
Metro Area Employment (Thousands)	December 2024	Philadelphia	National
Total Non-farm	3160.4	1.4%	1.4%
Mining, Logging, and Construction	126.0	2.6%	1.2%
Manufacturing	179.6	-2.1%	-0.7%
Trade, Transportation, and Utilities	563.4	0.0%	0.7%
Information	52.5	-0.8%	-0.3%
Financial Activities	231.5	0.8%	0.6%
Professional and Business Services	497.4	0.3%	0.3%
Education and Health Services	755.6	3.9%	3.8%
Leisure and Hospitality	274.7	2.0%	1.8%
Other Services	125.6	1.3%	1.2%
Government	354.1	1.4%	1.8%

Source: GREA Research, U.S. Bureau of Labor Statistics

Rental Market

Philadelphia's rent growth performance ranks 6th amongst the top 20 largest U.S. multifamily markets, and demand remained strong and consistent throughout 2024. In Q3 2024, the absorption rate was the second highest in over 20 years, and the year ended with the highest recorded absorption since 2021 at over 11,000 units. Yet supply still outpaced absorption with 13,000 deliveries, resulting in a 0.2% decrease in occupancy. Four of the five top submarkets with the highest level of annual absorption are within the City of Philadelphia, resulting in an increase in concessions in these areas. In 2024, approximately 60% of multifamily communities in the city offered renter concessions compared to 17% in the suburban areas. Steady rent gains are expected to continue through 2025 in suburban markets with limited supply. Over the past 12 months, suburban markets like Burlington, Bucks County, and Gloucester had rent gains between 3% to 4.5%.

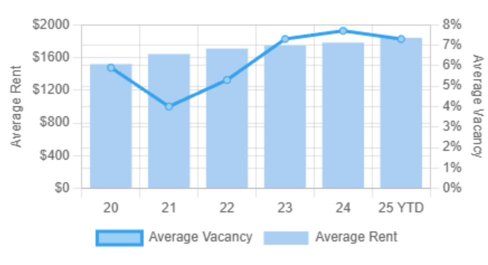
Overall rent growth has adjusted more in-line with the pre-pandemic norms between 2017 to 2019 and currently stands at 1.8%, above the national average of 1.0%. Strong job growth and increased consumer confidence are key drivers of new household formation, and the 40% drop in new construction starts Y-o-Y indicates demand will be sustained in 2025, marking the return of more balanced supply and demand market conditions.

$1,860
Average Monthly Mortgage Payment

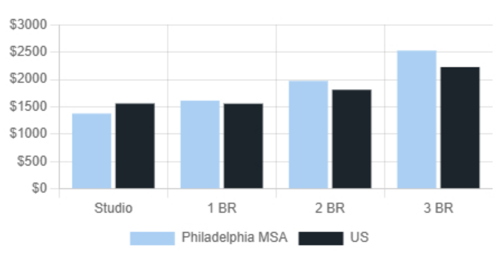
$1,785
Average Monthly Rent

Source: Investopedia, $358,075 median sale price, 20% down, 6.76% interest rate, 30-year fixed

Average Rent / Vacancy



Asking Rent / Bedroom



Multifamily Construction

In 2023 and 2024, a record number of new deliveries occurred, with over 13,000 new units delivered each year, totaling 26,827 units. In contrast, the forecast for completions in 2025 indicates a significant decline, with only 6,045 units expected, which is less than half of the previous year's total. Additionally, there is an anticipated reduction of 840 completions in 2025, bringing the overall total down to 5,205. Development is projected to decline sharply by the end of 2025. As supply pressures ease, multifamily market fundamentals are expected to stabilize and return to pre-2019 historical norms.

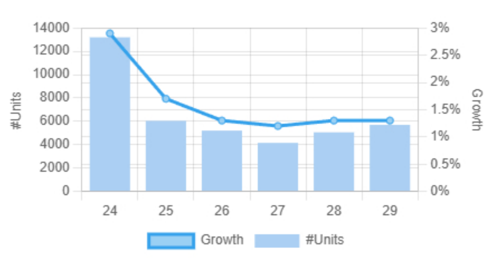
12.2K
Multifamily Completions Past 12 Months

8.6K
Single Family Permits

5.1K
Multifamily Permits (5+ Units)

$385K
Median Single Family Price

Completions / Net Absorption



Absorption levels have remained strong over the past year, particularly in submarkets near downtown Philadelphia, which accounted for the highest level of annual absorption. Over the last 12 months, 13,195 units were delivered across the metro area, and 10,939 units were absorbed.

Units by Submarket Delivering in 2025

Currently, there are 11,148 units under construction, representing 3.0% of the total inventory for the metro area. It is estimated that just over 6,000 units will be completed by the end of 2025. Of these, about 4,440 units are currently being built within a three-mile radius of Center City, with nearly 75% of the units falling within the luxury market segment.

11,148
Units Under Construction

6,045
12 Month Deliveries

Search:

Submarket	Units Under Construction	% of Total UC	12 Month Deliveries
North Philadelphia	1,714	10.1%	2,824
Art Museum/Northern Liberties	1,838	12.1%	2,312
South Philadelphia / NavyYard	891	13.4%	1,226
Northwest Philadelphia / Manayunk	701	2.9%	1,046
Center City	1,229	4.7%	845
University City	193	1.9%	713
Upper Chester County	32	0.1%	659
Lower Camden County	0	0.0%	579
Lower Burlington County	350	2.9%	578
Lower Bucks County	614	2.9%	391
Central Bucks County	0	0.0%	348
Upper Montgomery County	0	0.0%	266
Cherry Hill/Haddonfield	266	2.4%	259
Lower Chester County	0	0.0%	166
Northeast Philadelphia	0	0.0%	68

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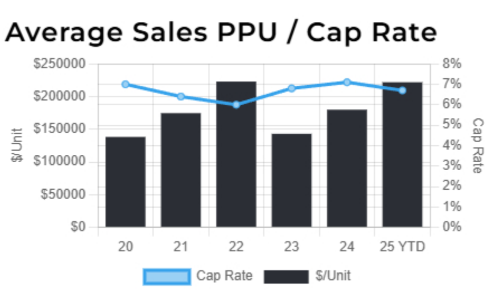
Multifamily Sales

12-month transaction volume was $1.3 billion, an increase of 95.8% from $664 million in the previous year. However, this figure remains well below the 10-year average of $1.8 billion. National and private investors, along with developers, are leading transaction activity, particularly focused on value-added properties. Notably, 50% of all transactions were carried out by private buyers, and 60% of the sale transactions involved assets valued below $2 million. The capitalization rates for this lower asset class ranged from 6.5% to 7.5%.

$1.3B
YTD 12 Mo. Transaction Volume

$180K
Avg. Price/Unit

Average Sales PPU / Cap Rate



Institutional investors have largely stayed on the sidelines, waiting for more favorable market conditions, with only six properties valued over $50 million changing hands in the last year. As elevated interest rates and the rising cost of debt persist, cash buyers are expected to maintain a competitive advantage through 2025.

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