

YARDI® Matrix

Philadelphia's Staying Power

Multifamily Fall Report 2016

**Millennials, Boomers
Drive Up Rents**

**Tech Firms Sustain
New Employment**

**Construction Picks Up,
Targets Center City**

PHILADELPHIA MULTIFAMILY

YARDI® Matrix

Market Analysis

Fall 2016

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Building Boom Looms in Philly

The multifamily market in the City of Brotherly Love remains steady, fueled by employment gains and an increasing renter population. Technology and pharmaceutical jobs are leading the way in new employment. The hospitality industry generated \$500 million this summer, due in part to a busy convention calendar that included the Democratic National Convention.

As of September, the strong demand for apartments across the metro led to an overall occupancy of 96.1% for stabilized properties. Demand is strong in Center City, where hundreds of new units have been delivered in recent years. The area has become a commercial, residential and cultural hub—a trendy place for Millennials to settle after college, as well as a retirement destination for Baby Boomers who choose to downsize and take advantage of the area's high-end amenities and entertainment venues.

Transaction activity slowed compared to 2015 and mostly focused on the core submarkets. Acquisition yields for stabilized Class A properties compressed to the 4.5 to 5% range, while initial yields for Class C assets reached 7%. Developers are ramping up construction, which is set to mark another post-bubble high, as more than 5,700 units are scheduled for completion by the end of the year. Despite the large number of deliveries coming online, absorption is expected to keep up. Vacancy may slightly expand, while rents should increase by 4.0%.

Recent Philadelphia Transactions

The Lantern



City: Glen Mills, Pa.
Buyer: TIAA
Purchase Price: \$66 MM
Price per Unit: \$236,071

The Point at City Line



City: Philadelphia
Buyer: Pantzer Properties
Purchase Price: \$65 MM
Price per Unit: \$216,556

The Point at Windermere



City: West Chester, Pa.
Buyer: Pantzer Properties
Purchase Price: \$57 MM
Price per Unit: \$236,077

Charter Court at East Falls



City: Philadelphia
Buyer: GoldOller Real Estate Investments
Purchase Price: \$56 MM
Price per Unit: \$112,676