

Yardi® Matrix

Philadelphia In for a Mild Ride

Multifamily Report Spring 2018

Rent Growth Flattens

Investment Picks Up, Tops \$1B

Deliveries Peak for Current Cycle

PHILADELPHIA MULTIFAMILY

Yardi® Matrix

Market Analysis

Spring 2018

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Accelerated Development Takes Toll

The pace of development in Philadelphia caught up with demand, leading to a middling rent growth rate during the year's first three months, a trend that's visible in several major U.S. metros. The number of units delivered reached a cycle peak in 2017, when 5,000 units came online, and 2018 is expected to set a new high, with an estimated 7,000 completions. The new inventory is being absorbed by Millennials attracted by tech jobs and downsizing Baby Boomers, who make up a large part of the renter pool.

Professional and business services led job gains (11,700), followed by Philadelphia's traditional "eds and meds" sector (8,600), which led to a fast absorption of office developments nearing delivery. Roughly 80% of the new office supply in the metro's core submarkets is set for completion in 2018, according to a JLL report. However, a number of employment sectors saw significant job losses in 2017 (-4,500). Half of those were in the trade and transportation sector, expected to take a new hit with the closing of two Pennsylvania Kmart stores.

Higher demand in the working-class Renter-by-Necessity segment has led to a 2.1% rent growth year-over-year through March, compared to a 1.5% increase in rents for Lifestyle assets. Overall, rents are expected to rise moderately—at a rate of 2.3% for the rest of 2018.

Recent Philadelphia Transactions

The Grand at Neshaminy



City: Bensalem, Pa.
Buyer: AJH Management
Purchase Price: \$165 MM
Price per Unit: \$154,229

3737 Chestnut



City: Philadelphia
Buyer: Korman Residential
Purchase Price: \$118 MM
Price per Unit: \$427,536

The Glen at Bucks



City: Warminster, Pa.
Buyer: Priderock Capital Partners
Purchase Price: \$64 MM
Price per Unit: \$163,462

Dynasty Court



City: Philadelphia
Buyer: Adam Y. Xu
Purchase Price: \$16 MM
Price per Unit: \$287,500