

YARDI® Matrix

Philadelphia's Growth Story

Multifamily Spring Report 2016

**Millennials Make
Downtown Move**

**Developers Eye
Center City**

**Price Per Unit Tops
National Average**

PHILADELPHIA MULTIFAMILY

YARDI® Matrix

Market Analysis

Spring 2016

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Driving Demand in America's Birthplace

The demand for apartments continues to rise in the City of Brotherly Love, driven by positive economic and demographic trends. Philadelphia may be trailing the nation when it comes to employment growth, but sectors such as business and professional services, healthcare and education are adding jobs, pushing unemployment down to one of its lowest levels since the recession.

Rental demand is led by Millennials moving to the downtown, which is seeing tremendous growth in retail space and restaurants, and empty nesters choosing dense urban environments over the suburbs. Against a background of rising rents, developers opened thousands of new apartments in 2015, especially in Center City, which has become a hub of development. This trend is set to continue, since more than 8,700 units are currently under construction, while another 25,000 apartments are on the drawing board.

Given the strong tenant base of young professionals that continues to absorb new product at a significantly fast pace, investor appetite is robust. Last year, the metro's multifamily transaction volume nearly doubled year-over-year, reaching a record high of \$1.5 billion, with yields dropping to the 5% range for Class A assets. While we expect demand to remain high in the near term, lukewarm job creation and increasing supply will serve to dampen rent growth. As a result, we estimate a moderate rent increase of 1.3% in 2016.

Recent Philadelphia Transactions

ICON



City: Philadelphia
Buyer: Castle Rock Equity Group
Purchase Price: \$112 MM
Price per Unit: \$543,689

The Grand Cherry Hill



City: Cherry Hill, N.J.
Buyer: Harbor Group International
Purchase Price: \$90 MM
Price per Unit: \$164,522

Henry on the Park



City: Philadelphia
Buyer: Morgan Properties
Purchase Price: \$70 MM
Price per Unit: \$165,485

Station Square



City: Lansdale, Pa.
Buyer: CBRE Global Investors
Purchase Price: \$67 MM
Price per Unit: \$194,220