

**YARDI**<sup>®</sup> 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