



MULTIFAMILY REPORT

# Philly Market Adapts

December 2024

**YoY Rent Growth Outpaces US**

**Pipeline Anchored by Lifestyle Assets**

**Transaction Activity Picks Up**

# PHILADELPHIA MULTIFAMILY



## Short-Term Rent Growth Flat Amid Solid Supply

Metro Philadelphia's average advertised asking rents remained unchanged on a trailing three-month basis through October, at \$1,797. Meanwhile, the national figure was down 0.1%. Philadelphia's advertised asking rates were up 2.2% year-over-year or 130 basis points above the U.S., figure despite pressure from new deliveries.

Greater Philadelphia added 70,200 net jobs over the 12-month period ending in August. Leading job growth, education and health services added 36,900 positions. At 4.6% in August, the unemployment rate was the highest recorded this year, according to Bureau of Labor Statistics data. The figure was 40 basis points above the national average. A new megadevelopment is poised to reshape the stadium district. It will be located just east of Comcast Spectacor's \$2.5 billion mixed-use project. Hines seeks to rezone 700 Packer Ave. to develop a live-work-play district with 1,367 residential units, an office tower and dining and retail space.

During the first 10 months of the year, Philadelphia added 6,038 units to its existing multifamily inventory. Developers had 16,522 units under construction and an additional 76,000 in the planning and permitting stages. Transaction activity picked up, with the \$888 million sales volume already surpassing the \$584 million total of the past year.

## Market Analysis | December 2024

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### Recent Philadelphia Transactions

#### Matson Mill



City: Conshohocken, Pa.  
Buyer: Goldman Sachs & Co.  
Purchase Price: \$109 MM  
Price per Unit: \$389,286

#### Petoni



City: Philadelphia  
Buyer: Chelsea Management  
Purchase Price: \$25 MM  
Price per Unit: \$113,575

#### 25 West

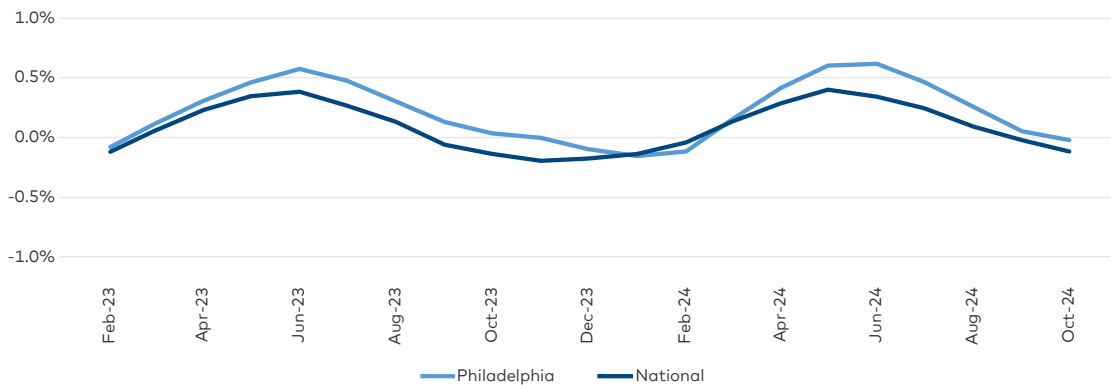


City: Philadelphia  
Buyer: The HOW Group  
Purchase Price: \$22 MM  
Price per Unit: \$325,373

## RENT TRENDS

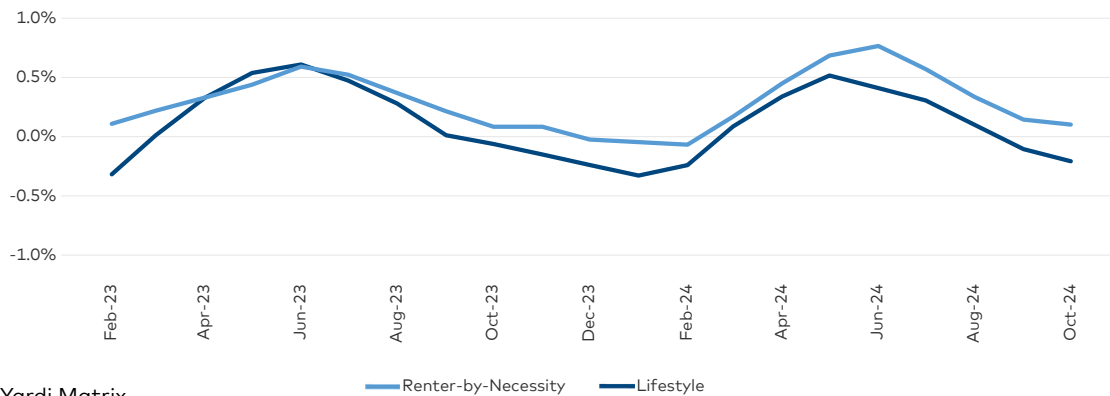
- ▶ Philadelphia's advertised asking rents were flat on a T3 basis through October, to \$1,797. Growth peaked in May and June, at 0.6%, then continued to gradually fall. Meanwhile the national rate was down 0.1%, to \$1,748. Year-over-year, Philadelphia's rents were up 2.2%, outperforming the 0.9% U.S. figure.
- ▶ Advertised asking rents for the working-class Renter-by-Necessity segment recorded a 0.1% increase, on a T3 basis through October, to \$1,591. Lifestyle properties, however, saw a 0.2% decline, to \$2,264. The gap between quality segments was more pronounced in year-over-year figures—RBN rates were up 3.3%, while Lifestyle was at 0.8%.
- ▶ As of September, Philadelphia's average occupancy rate in stabilized properties was 95.7%. Despite falling 10 basis points year-over-year, the figure remained well above the national average of 94.7%. RBN properties topped Lifestyle assets yet again. The average for the working-class segment remained unchanged, at 95.9%, but Lifestyle occupancy dropped 10 basis points, to 95.2%.
- ▶ The suburban Bordentown submarket led advertised asking rent gains, with a 12.6% increase to \$1,846, followed closely by an urban area and another suburban submarket: North-East (up 10.9% to \$2,472) and Atlantic City (up 10.6% to \$1,478). Center City-West remained the most expensive submarket, with advertised asking rents averaging \$2,487.

**Philadelphia vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**Philadelphia Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ Philadelphia gained 70,200 net jobs during the 12 months ending in August. Even with three sectors recording losses, the metro's job growth rate was 20 basis points higher than the 1.4% national figure on a year-over-year basis. The education and health services sector led gains, adding 36,900 jobs. Leisure and hospitality (12,900 jobs), professional and business services (9,800 jobs), and government (9,000 jobs) also contributed to the overall growth.
- ▶ Philadelphia's unemployment rate increased 20 basis points month-over-month, to 4.6% as of August, according to BLS data. The figure was 40 basis points higher than the U.S. rate and 120 basis points above the state figure.
- ▶ Another proposed development in the stadium district would transform 700 Packer Ave. into a mixed-used hub. Hines seeks to rezone the area from industrial use to a designation that will enable dense residential and commercial development on the land owned by Philadelphia Suburban Development Corp. The six-building project includes 1,367 residential units, 400,000 square feet of office and 190,000 square feet of retail and restaurant space. The megadevelopment would complement Comcast Spectacor's \$2.5 billion plan to reimagine the stadium district with more residential, retail, office, hospitality and green space.

### Philadelphia Employment Share by Sector

| Code | Employment Sector                   | Current Employment |         |
|------|-------------------------------------|--------------------|---------|
|      |                                     | (000)              | % Share |
| 65   | Education and Health Services       | 808.2              | 22.4%   |
| 70   | Leisure and Hospitality             | 392.2              | 10.9%   |
| 60   | Professional and Business Services  | 549.8              | 15.2%   |
| 90   | Government                          | 401.2              | 11.1%   |
| 15   | Mining, Logging and Construction    | 151.9              | 4.2%    |
| 80   | Other Services                      | 144.1              | 4.0%    |
| 55   | Financial Activities                | 246.9              | 6.8%    |
| 50   | Information                         | 54.2               | 1.5%    |
| 30   | Manufacturing                       | 228.9              | 6.3%    |
| 40   | Trade, Transportation and Utilities | 633.2              | 17.5%   |

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- ▶ In 2022, Greater Philadelphia gained 17,672 residents, marking a 0.3% increase. This was slightly below the national growth rate of 0.4%.
- ▶ Since 2022, the metro has added 265,545 residents, accounting for a 4.4% increase.

### Philadelphia vs. National Population

|              | 2019        | 2020        | 2021        | 2022        |
|--------------|-------------|-------------|-------------|-------------|
| National     | 324,697,795 | 326,569,308 | 329,725,481 | 331,097,593 |
| Philadelphia | 6,079,130   | 6,092,403   | 6,215,222   | 6,232,894   |

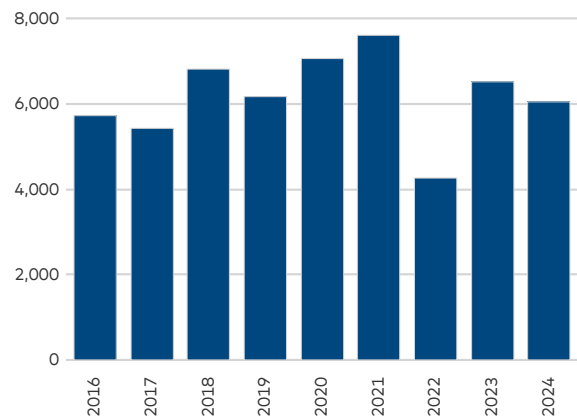
Source: U.S. Census

## SUPPLY

- Greater Philadelphia had 16,522 units under construction as of October. The pipeline also included some 76,000 units in the planning and permitting stages. More than three-quarters of the units underway were in Lifestyle projects, roughly 19% were in RBN assets and around 1.5% were in fully affordable projects. Urban submarkets led activity with 10,166 units underway, while suburban areas accounted for 6,356 units.
- Philadelphia developers completed 6,038 units year-to-date through October. These deliveries accounted for 1.6% of the metro's existing inventory, 80 basis points below the 2.4% national figure. Most of the completions were Lifestyle assets, however, seven fully affordable properties totaling 630 units were also delivered.
- With 3,856 units under construction, the North-East submarket continued to lead construction activity. Two other urban submarkets also registered significant activity: Frankford/Kensington with 1,431 and Center City–West with 1,111 units. Among the suburban submarkets, Burlington was ahead with 724 units underway.

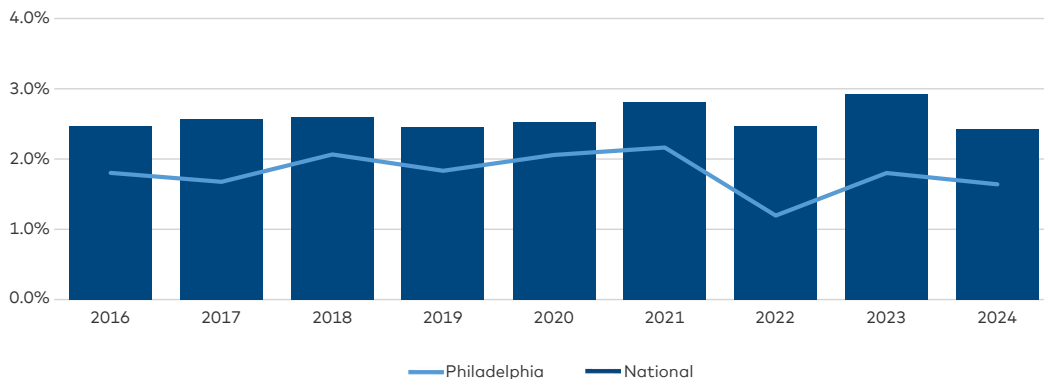
- Post Brothers' 630-unit One Thousand One was one of the largest properties underway in October. The developer teamed up with Tower Investments to undertake this multiphase project, which was financed by Terra Property Trust and Bank OZK. The \$400-million initial phase is expected to come online in spring 2025. At full build-out, the project will have more than 1,400 units.

**Philadelphia Completions** (as of October 2024)



Source: Yardi Matrix

**Philadelphia vs. National Completions as a Percentage of Total Stock** (as of October 2024)

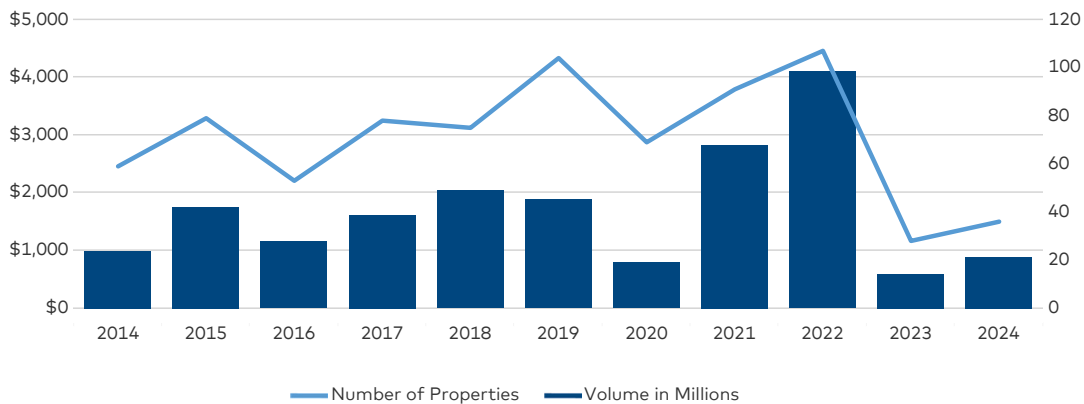


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Philadelphia multifamily sales reached \$888 million in the first 10 months of the year, already surpassing the \$584 million annual total of 2023. Sales volume has significantly rebounded this year thanks to solid sales during the second quarter, when sales totaled \$454 million, while improving lending conditions also played a role.
- ▶ Roughly 80% of all transactions year-to-date through October involved RBN properties, pushing the metro's average price per unit to \$157,040, down 3.6% compared to last year's figures. The national average settled at \$190,509, up 2.0%.
- ▶ Goldman Sachs & Co.'s \$109 million acquisition of the 280-unit Matson Mill was the largest transaction closed this year in metro Philadelphia. It was also the highest per-unit price recorded in the market, at \$389,286. High Street Residential sold the 2022-built asset.

### Philadelphia Sales Volume and Number of Properties Sold (as of October 2024)



Source: Yardi Matrix

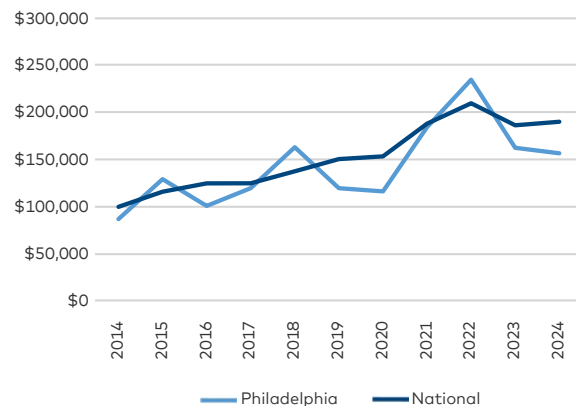
### Top Submarkets for Transaction Volume<sup>1</sup>

| Submarket     | Volume (\$MM) |
|---------------|---------------|
| Exton-Malvern | 148           |
| Horsham       | 125           |
| Conshohocken  | 109           |
| Phoenixville  | 90            |
| Camden        | 79            |
| Mount Laurel  | 79            |
| Glen Mills    | 70            |

Source: Yardi Matrix

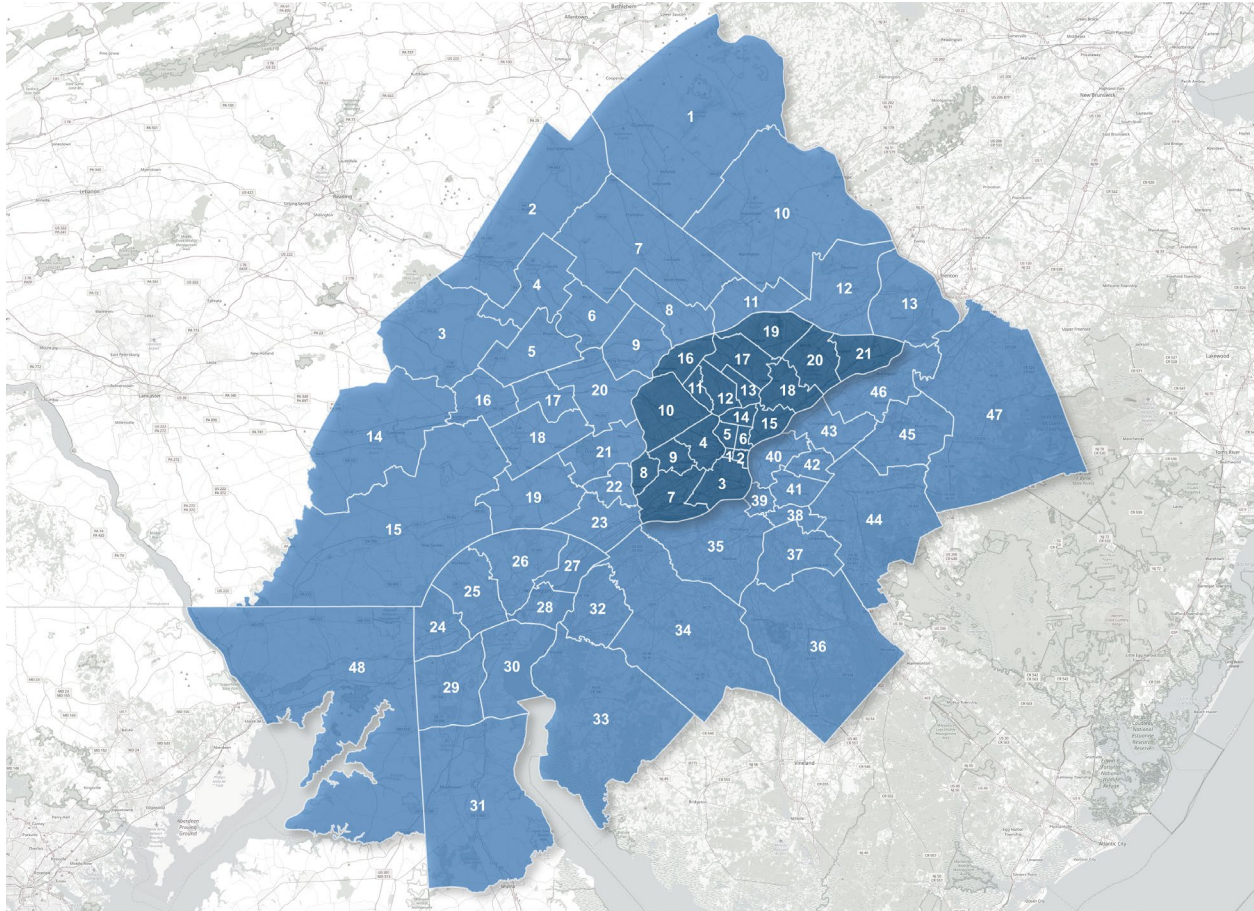
<sup>1</sup> From November 2023 to October 2024

### Philadelphia vs. National Sales Price per Unit



Source: Yardi Matrix

# PHILADELPHIA SUBMARKETS



| Area No. | Submarket                  |
|----------|----------------------------|
| 1        | Perkasie                   |
| 2        | Pottstown                  |
| 3        | Glenmoore                  |
| 4        | Royersford                 |
| 5        | Phoenixville               |
| 6        | Audubon                    |
| 7        | Lansdale                   |
| 8        | Ambler                     |
| 9        | Norristown                 |
| 10       | Doylestown                 |
| 11       | Hatboro-Warminster         |
| 12       | Feasterville-Langhorne     |
| 13       | Fairless Hills-Morrisville |
| 14       | Coatesville                |
| 15       | Oxford-Kennett Square      |
| 16       | Exton-Downingtown          |
| 17       | Malvern                    |
| 18       | West Chester               |
| 19       | Concordville               |
| 20       | Berwyn                     |
| 21       | Broomall                   |
| 22       | Media                      |
| 23       | Chester                    |
| 24       | Newark                     |

| Area No. | Submarket                  |
|----------|----------------------------|
| 25       | Stanton-Pike Creek         |
| 26       | Wilmington-West            |
| 27       | Claymont-Wilmington North  |
| 28       | Wilmington-Central         |
| 29       | Bear                       |
| 30       | New Castle                 |
| 31       | Middletown                 |
| 32       | Carneys Point              |
| 33       | Pennsville-Salem           |
| 34       | Bridgeport-Woodstown       |
| 35       | Woodbury                   |
| 36       | Glassboro-Williamstown     |
| 37       | Lindenwold                 |
| 38       | Runnemede-Voorhees         |
| 39       | Gloucester City            |
| 40       | Camden-Pennsauken Township |
| 41       | Haddonfield                |
| 42       | Cherry Hill                |
| 43       | Cinnaminson                |
| 44       | Marlton-Medford            |
| 45       | Mount Holly                |
| 46       | Willingboro                |
| 47       | Bordentown-Browns Mills    |
| 48       | Cecil County               |

| Area No. | Submarket               |
|----------|-------------------------|
| 1        | Center City-West        |
| 2        | Center City-East        |
| 3        | South                   |
| 4        | West                    |
| 5        | North-West              |
| 6        | North-East              |
| 7        | Southwest               |
| 8        | Springfield             |
| 9        | Upper Darby-Drexel Hill |
| 10       | Ardmore                 |
| 11       | Northwest-West          |
| 12       | Northwest-East          |
| 13       | Oak Lane                |
| 14       | Upper North             |
| 15       | Frankford/Kensington    |
| 16       | Conshohocken            |
| 17       | Abington                |
| 18       | Lower Northeast         |
| 19       | Willow Grove            |
| 20       | Far Northeast           |
| 21       | Bensalem                |

## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

| Market Position | Improvements Ratings |
|-----------------|----------------------|
| Discretionary   | A+ / A               |
| High Mid-Range  | A- / B+              |
| Low Mid-Range   | B / B-               |
| Workforce       | C+ / C / C- / D      |

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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