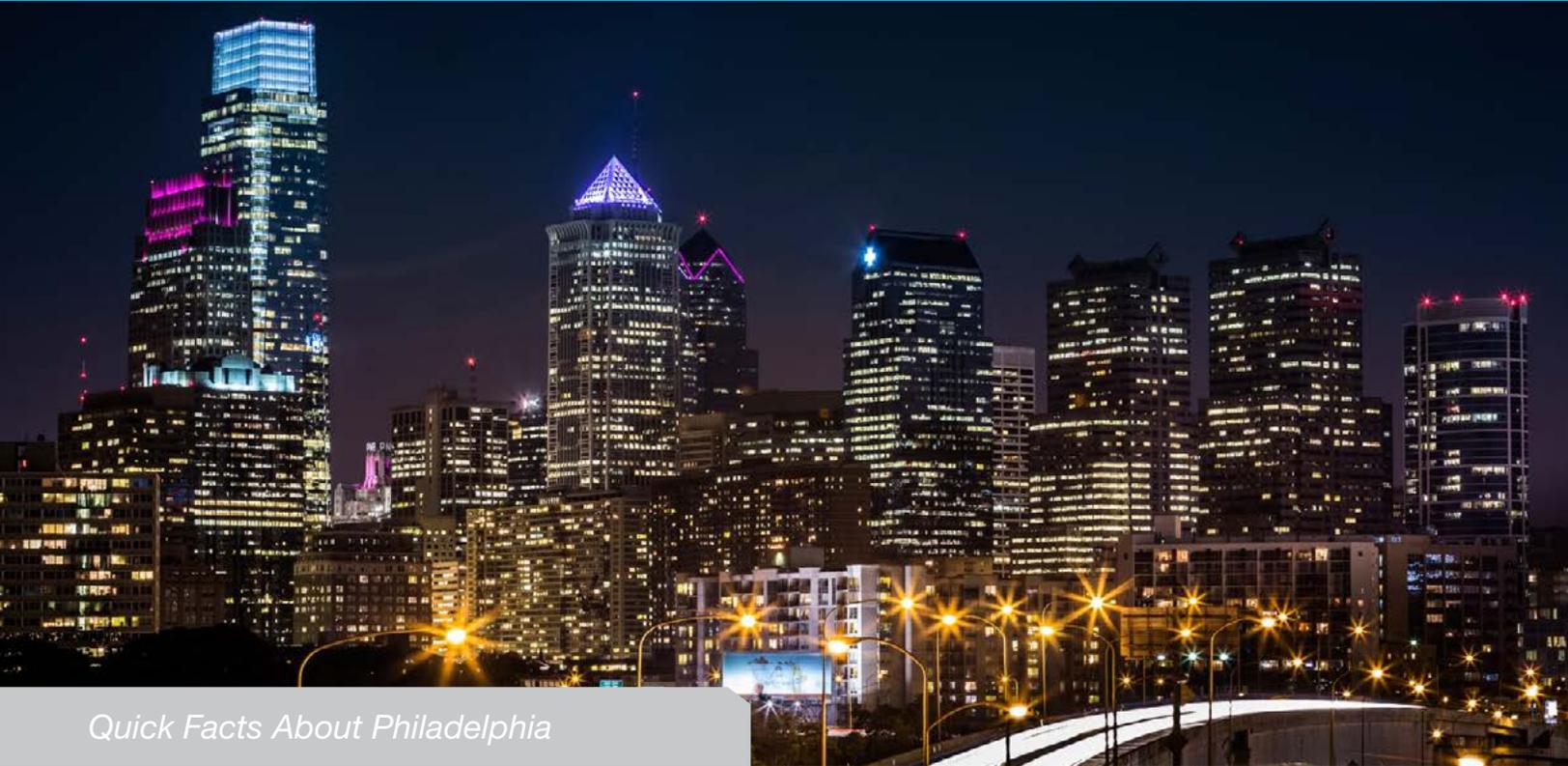


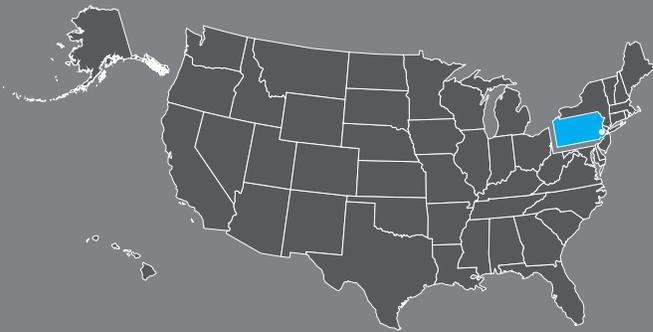
HUD PD&R Housing Market Profiles

Philadelphia, Pennsylvania



Quick Facts About Philadelphia

- **Current sales market conditions: slightly soft.**
- **Current apartment market conditions: balanced.**
- **Of the top 10 employers in the metropolitan division, 5 are in the education and health services sector (Select Greater Philadelphia).**



By Timothy D. McNally | As of November 1, 2013

Overview

The Philadelphia, PA Metropolitan Division (hereafter, the Philadelphia division) comprises Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in southeastern Pennsylvania. The Philadelphia division is home to more than 85 medical facilities and 48 universities and colleges with a combined enrollment of 206,000 students.

- As of November 1, 2013, the estimated population of the Philadelphia division was 4.07 million, an average annual increase of 18,400, or 0.5 percent, since April 2010.
- Population growth averaged 22,850 people, or 0.5 percent, annually from 2007 to 2010.
- Since 2010, net in-migration has accounted for 18 percent of total population growth, averaging 4,000 people a year compared with an average of 6,650 people a year from 2007 to 2010.



Nonfarm payroll growth in the Philadelphia division was concentrated in the service-providing sectors.

	3 Months Ending		Year-Over-Year Change	
	October 2012 (thousands)	October 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,889.2	1,906.8	17.6	0.9
Goods-producing sectors	195.3	196.6	1.3	0.7
Mining, logging, and construction	66.9	69.9	3.0	4.5
Manufacturing	128.4	126.7	-1.7	-1.3
Service-providing sectors	1,693.9	1,710.3	16.4	1.0
Wholesale and retail trade	273.2	271.2	-2.0	-0.7
Transportation and utilities	58.6	61.0	2.4	4.1
Information	37.5	37.0	-0.5	-1.3
Financial activities	132.4	132.8	0.4	0.3
Professional and business services	303.9	309.8	5.9	1.9
Education and health services	433.6	445.7	12.1	2.8
Leisure and hospitality	169.6	176.4	6.8	4.0
Other services	85.5	87.0	1.5	1.8
Government	201.9	195.9	-6.0	-3.0
	(percent)	(percent)		
Unemployment rate	8.3	7.8		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic conditions in the Philadelphia division have been improving since mid-2010 after a decline from 2008 through the first quarter of 2010.

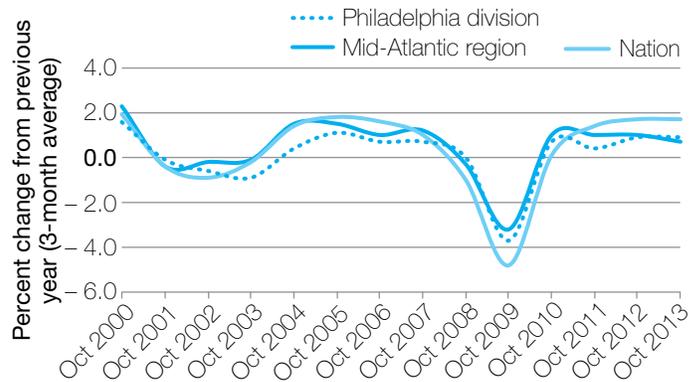
During the 3 months ending October 2013—

- Nonfarm payrolls averaged 1.91 million jobs, an increase of 17,600 jobs, or 0.9 percent, compared with the increase of 16,900 jobs, or 0.9 percent, during the same period a year earlier.
- Leading job growth, payrolls in the education and health services sector increased by 12,100 jobs, or 2.8 percent, compared with the increase of 6,500 jobs, or 1.5 percent, during the same period a year earlier.
- As a result of recent improvements in economic conditions, average nonfarm payrolls are less than 1 percent below the peak recorded during the same 3-month period in 2008.
- Strong growth in employment resulted in a decline in the unemployment rate to an average of 7.8 percent from 8.3 percent a year earlier.

The education and health services sector, the largest payroll sector in the Philadelphia division, accounts for approximately one-fourth of total jobs. Since 2010, approximately 58 percent of jobs added in the Philadelphia division were in the sector.

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Nonfarm payroll jobs have increased since mid-2010 in the Philadelphia division.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Philadelphia division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Jefferson Health System	Education and health services	19,100
University of Pennsylvania	Education and health services	16,160
University of Pennsylvania Health System	Education and health services	14,941

Notes: As of May 2012. Excludes local school districts.
Source: Select Greater Philadelphia



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The Philadelphia division has benefited from new domestic drilling activity in North Dakota. The Philadelphia Energy Solutions refinery, in the city of Philadelphia, retained 945 jobs and added 100 jobs after being purchased in late 2012 and now refines 190,000 barrels

of crude oil a day from North Dakota. Despite the addition of jobs at the Philadelphia Energy Solutions refinery, payrolls in the manufacturing sector declined by 1,700 jobs, or 1.3 percent, during the 3 months ending October 2013 from a year earlier.

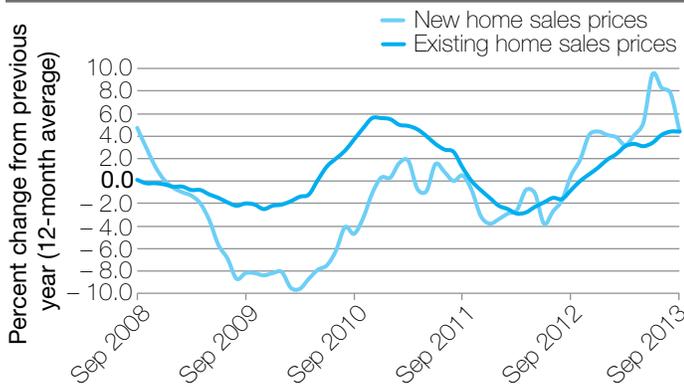
Sales Market Conditions

Sales housing market conditions are slightly soft but improving in the Philadelphia division. The current estimated sales vacancy rate is 1.5 percent, relatively unchanged from 1.6 percent in April 2010. Approximately 40,900 new and existing single-family, townhome, and condominium units sold during the 12 months ending September 2013, up 11 percent from the 36,950 units sold a year earlier (CoreLogic, Inc.). By comparison, home sales averaged 41,800 a year from 2008 through 2010. During the 12 months ending September 2013, the average sales price for homes increased more than 4 percent, to \$269,500.

- Despite an increase in total sales activity, sales of new single-family, townhome, and condominium units during the 12 months ending September 2013 decreased by 370 homes, or 15 percent, from a year earlier, to 2,025 homes sold. The average sales price for new homes increased 4 percent, to \$415,000, during the same period.
- Existing home sales, which account for 95 percent of total sales in the Philadelphia division, increased by 4,300, or 12 percent, to 38,850 homes sold, and the average home sales price

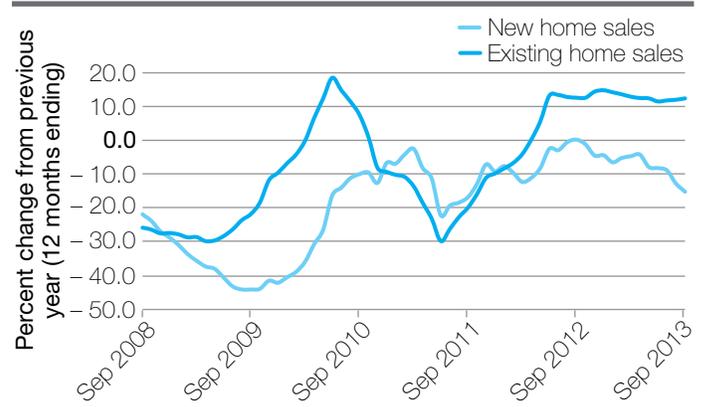
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New and existing home sales prices have increased since late 2012 in the Philadelphia division.



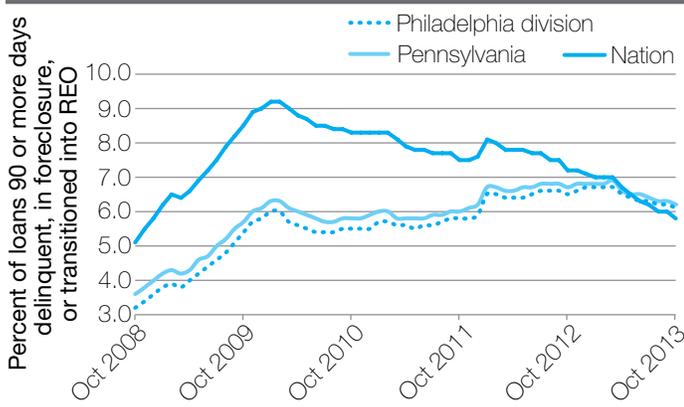
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

Existing home sales have improved steadily during the past 2 years, but new home sales remain in decline in the Philadelphia division.



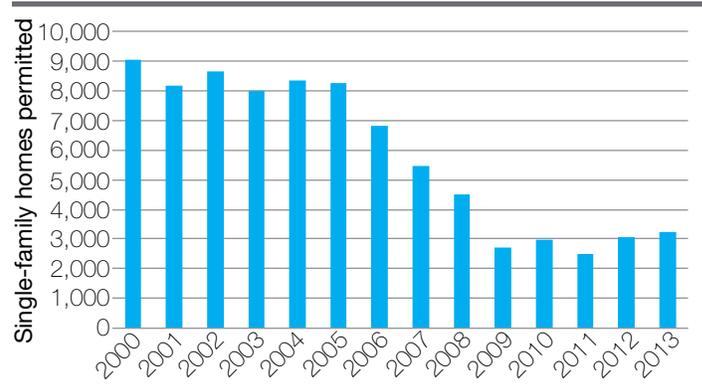
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

Distressed loan rates in the Philadelphia division remained elevated compared with prerecession levels.



REO = Real Estate Owned. Source: LPS Applied Analytics

Construction of new homes in the Philadelphia division has been limited since 2009.



Note: Includes preliminary data from January 2013 through October 2013. Source: U.S. Census Bureau, Building Permits Survey



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increased 4 percent, to \$261,900. By comparison, existing home sales averaged 38,300 annually from 2008 through 2010, and the average price for existing homes sold during that period was \$246,800.

- Sales of REO (Real Estate Owned) homes increased by 420, or 11 percent, to 4,325 homes during the 12 months ending September 2013 and were priced 51 percent less than the average sales price for existing homes.
- As of October 2013, 6.1 percent of home loans in the Philadelphia division were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 6.5 percent a year earlier. By comparison, the distressed loan percentages for Pennsylvania and for the United States in October 2013 were 6.2 and 5.8 percent, respectively (LPS Applied Analytics).

An increase in home sales and improving economic conditions led to a 17-percent, or 130-home, increase in single-family home

construction, as measured by the number of homes permitted, during the 3 months ending October 2013 from the same period a year earlier (preliminary data).

- Single-family permitting in Bucks County, which accounted for one-fourth of the Philadelphia division total, increased 47 percent, to 220 homes, during the 3 months ending October 2013, the greatest percentage increase in single-family permitting in the Philadelphia division.
- Homebuilding increased throughout the Philadelphia division with the exception of in the city of Philadelphia, where the number of single-family homes permitted decreased 18 percent, to 140 homes, during the 3 months ending October 2013.
- Single-family home permitting peaked in the Philadelphia division from 2000 through 2005, when an average of 8,400 homes were permitted annually. By comparison, single-family home construction declined 46 percent, to an average of 4,500 homes a year, from 2006 through 2010.

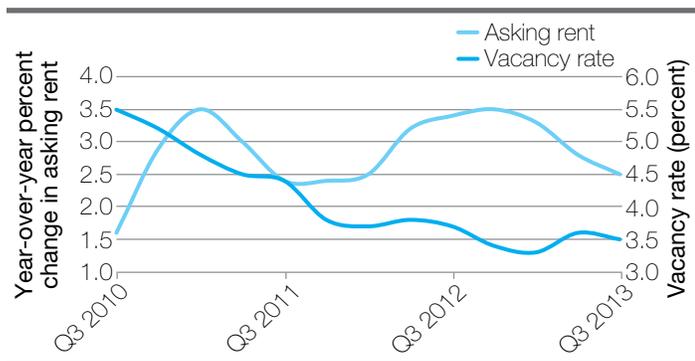
Apartment Market Conditions

Apartment market conditions in the Philadelphia division are balanced. During the third quarter of 2013, the estimated apartment vacancy rate was 3.5 percent, down from 3.7 percent during the same period a year earlier (Reis, Inc.). Declining apartment vacancy rates are primarily the result of continued population growth, improving economic conditions, and an increased propensity to rent, partially as a result of tight mortgage lending conditions.

During the third quarter of 2013—

- The apartment vacancy rate in Reis, Inc.-defined submarkets ranged from 1.0 percent in Foxchase/Lawndale to 6.7 percent in Center City Philadelphia.

Increasing rents and decreasing vacancy rates in the Philadelphia division signify an improving apartment market.



Sources: Reis, Inc.; analyst's estimates

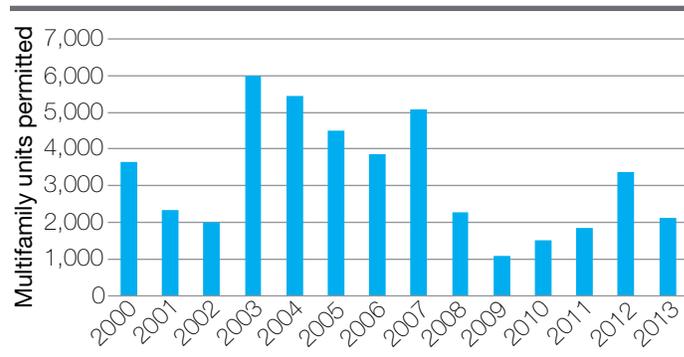
- The Bala-Cynwyd submarket recorded the greatest decrease in the vacancy rate, to 3.5 percent from 5.0 percent a year earlier.
- The estimated average rent for an apartment in the Philadelphia division was more than \$1,125, up 2.5 percent from a year earlier.
- Apartment rent increases ranged from 5.0 percent in the Lansdale/Lower Gwynedd submarket to 0.7 percent in the North/Frankford/Holmesburg submarket.

Developers responded to tightening apartment market conditions beginning in 2011 by increasing multifamily construction activity, as measured by the number of units permitted.

- Approximately 440 multifamily units were permitted during the 3 months ending October 2013, up from 240 units permitted during the same period a year earlier (preliminary data).

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Multifamily building activity increased as builders responded to improving rental market conditions in the Philadelphia division.



Note: Includes preliminary data from January 2013 through October 2013. Source: U.S. Census Bureau, Building Permits Survey



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- Since 2010, condominiums have accounted for 2 percent of all multifamily units permitted compared with 20 percent of all multifamily units permitted from 2000 through 2009.
- Since 2010, the city of Philadelphia has accounted for 70 percent of all multifamily units permitted in Philadelphia division compared with 56 percent of all multifamily units permitted from 2000 through 2009.
- Apartment developments under construction include Icon 1616, with 200 units in the city of Philadelphia, which is expected to be complete in the spring of 2014. The 232-unit Madison New Britain, in Bucks County, is expected to be complete in early 2014.
- The 227-unit The Granary, completed in 2013 in the Logan Square neighborhood of the city of Philadelphia, offers one- and two-bedroom units with rents starting at \$1,850 and \$2,350, respectively.

