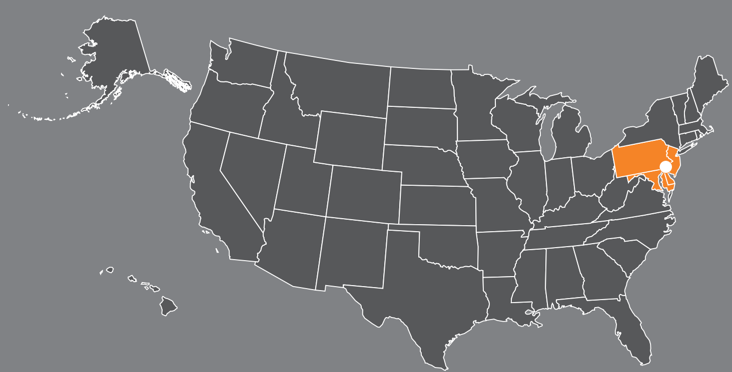
# HUD PD&R **Housing Market Profiles**

## Philadelphia-Camden-Wilmington, Pennsylvania-New Jersey-Delaware-Maryland

Philadelphia, Pennsylvania

### *Quick Facts About Philadelphia-Camden-Wilmington*

- **Current sales market conditions: slightly tight**
- **Current apartment market conditions: tight**
- **Approximately 30 institutions of higher education are in the metropolitan area, including Drexel University and the University of Pennsylvania. Before the COVID-19 pandemic, those two institutions had nearly 51,000 enrolled students (Integrated Postsecondary Education Data System). The metropolitan area is also home to the University of Pennsylvania Health System, a multi-hospital health system headquartered in the city of Philadelphia; the combined economic impact of the university and health system on the city of Philadelphia was $15.5 billion in 2020 (The Economic and Fiscal Impact of the University of Pennsylvania, FY2020).**



By Diana Villavicencio | As of June 1, 2021

## Overview

The Philadelphia-Camden-Wilmington Metropolitan Statistical Area (hereafter, Philadelphia metropolitan area) includes Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in southeastern Pennsylvania; Burlington, Camden, Gloucester, and Salem Counties in southern New Jersey; New Castle County in northern Delaware; and Cecil County in northeastern Maryland. The metropolitan area includes the city of Philadelphia, which is coterminous with Philadelphia County and is the most populous city in Pennsylvania and the sixth most populous city in the United States. Economic conditions in the metropolitan area are improving following interventions that began in mid-March 2020 to slow the spread of COVID-19. Partly because of improving economic conditions and a shortage of for-sale housing, the sales market has tightened from a year ago; apartment market conditions have also tightened from a year earlier despite increased apartment construction.

- As of June 1, 2021, the estimated population of the Philadelphia metropolitan area was 6.11 million, an average increase of 4,775, or 0.1 percent, annually since 2018. By comparison, from 2010 to 2018, the population increased by an average of 15,900, or 0.3 percent, annually (U.S. Census Bureau decennial census count and population estimates as of July 1).

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- Population growth has decelerated since 2018 because net natural increase (resident births minus resident deaths) slowed and net out-migration accelerated to averages of 7,000 people and 2,225 people, annually, respectively. By comparison, from 2010 to 2018, net natural increase averaged 17,550 people a year and net out-migration averaged 1,650 people annually; net out-migration has occurred because domestic net out-migration exceeded international net in-migration.
- The metropolitan area is a popular place to live among young adults, especially early career professionals and students age 18 to 39, and, to a lesser extent, the retirement-age portion of the population, generally defined as residents age 65 years and older. During 2019, the population age 18 to 39 years accounted for 30 percent of the population—up from 29 percent during 2010 (American Community Survey 1-year estimates); the portion of residents age 65 and older increased to 16 percent from 13 percent; the population age 18 years and younger decreased to 22 percent from 23 percent; and the cohort age 40 to 64 years decreased to 32 percent from 34 percent.

# Economic Conditions

Economic conditions in the Philadelphia metropolitan area have improved since May 2020 because businesses began to reopen following the recession that resulted from the closure of nonessential businesses to slow the spread of COVID-19. By May 2021, 67.8 percent of the 482,400 jobs lost during March and April 2020 (not seasonally adjusted) had been recovered. During the 3 months ending May 2021, nonfarm payrolls increased by 127,200 jobs, or 4.8 percent, to nearly 2.80 million, slightly faster than the national growth rate of 4.7 percent. By comparison, during the 3 months ending May 2020, jobs in the metropolitan area decreased by 301,300, or 10.1 percent, compared with the national decline of 8.3 percent. Before the pandemic, the economy in the metropolitan area was expanding, and jobs had grown by an average of 31,800, or 1.1 percent, annually from 2011 through 2019.

During the 3 months ending May 2021—

- Nonfarm payrolls rose in 9 of the 11 payroll sectors from the 3 months ending May 2020, with the wholesale and retail trade sector adding 35,900 jobs, accounting for 28 percent of net job gains. The retail trade subsector accounted for 93 percent of jobs added in the sector, partly as a result of stores reopening when stay-at-home orders were eased.
- The leisure and hospitality sector added the second most jobs in the metropolitan area, increasing by 33,800 jobs, or 19.9 percent, partly because the accommodation and food services industry gained 28,000 jobs, a 20.3-percent gain. The sectorwide increase is in contrast with the 3 months ending May 2020, when the sector lost 106,000 jobs, the

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## Nine nonfarm payroll sectors in the Philadelphia metropolitan area added jobs during the 3 months ending May 2021.

| | 3 Months Ending | | Year-Over-Year Change | |
|---|---|---|---|---|
| | May 2020 (Thousands) | May 2021 (Thousands) | Absolute (Thousands) | Percent |
| Total Nonfarm Payrolls | 2,672.1 | 2,799.3 | 127.2 | 4.8 |
| Goods-Producing Sectors | 274.1 | 288.1 | 14.0 | 5.1 |
| Mining, Logging, & Construction | 103.6 | 115.1 | 11.5 | 11.1 |
| Manufacturing | 170.6 | 172.9 | 2.3 | 1.3 |
| Service-Providing Sectors | 2,398.0 | 2,511.2 | 113.2 | 4.7 |
| Wholesale & Retail Trade | 350.2 | 386.1 | 35.9 | 10.3 |
| Transportation & Utilities | 115.7 | 122.8 | 7.1 | 6.1 |
| Information | 50.6 | 50.5 | -0.1 | -0.2 |
| Financial Activities | 214.1 | 215.1 | 1.0 | 0.5 |
| Professional & Business Services | 441.8 | 457.3 | 15.5 | 3.5 |
| Education & Health Services | 627.7 | 641.2 | 13.5 | 2.2 |
| Leisure & Hospitality | 170.2 | 204.0 | 33.8 | 19.9 |
| Other Services | 91.4 | 104.6 | 13.2 | 14.4 |
| Government | 336.3 | 329.7 | -6.6 | -2.0 |
| Unemployment Rate | 11.3% | 6.6% | | |

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

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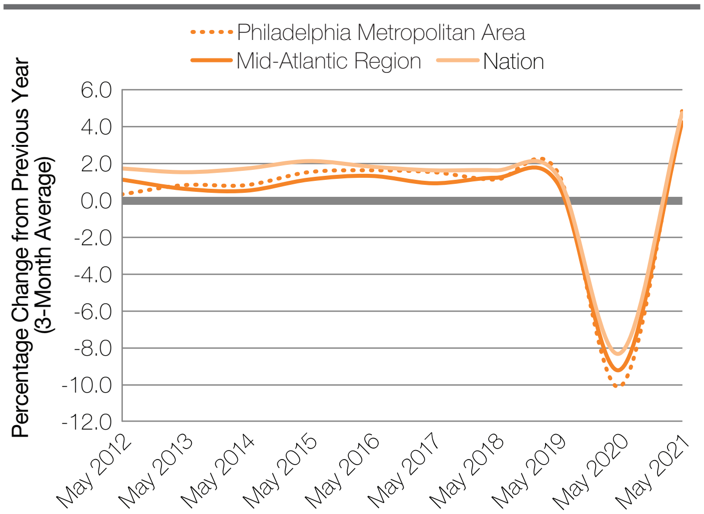
most jobs of any sector; jobs in this sector typically involve in-person interactions, which were difficult to maintain during the stay-at-home order.

- The only two sectors to lose jobs were the government and the information sectors, which declined by 6,600 and 100 jobs, or 2.0 and 0.2 percent, respectively, from the 3 months ending May 2020. Losses in the government sector were concentrated in the local and state government subsectors, which decreased by 5,100 and 1,800 jobs, or 2.2 and 3.2 percent, respectively, partly because staff were furloughed, seasonal employees were laid off, and school districts cut noninstructional hourly staff, such as bus drivers and maintenance workers (KYW Newsradio).
- Although the average unemployment rate is currently elevated, the reopening of businesses contributed to a decline in the rate to 6.6 percent from 11.3 percent during the same period a year earlier; the rate in the metropolitan area is above the 5.8-percent rate for the nation. Before the pandemic, the unemployment rate in the metropolitan area declined every year from 2011 through 2019, to 4.1 percent.

With 641,200 jobs, or nearly 23 percent of total nonfarm payrolls during the 3 months ending May 2021, the education and health services sector was the largest sector in the metropolitan area. During the 3 months ending May 2021, the sector added the fourth most jobs in the metropolitan area—up by 13,500 jobs, or 2.2 percent, compared with a decrease of 45,200 jobs, or 6.7 percent, during the same 3-month period in 2020. The professional and business services sector added the third most jobs, up by 15,500 jobs, or 3.5 percent, during the most recent period. From 2010 through 2019, before the impact of COVID-19, the education and health services sector added the most jobs of any sector, up an average of 13,200 jobs, or 2.2 percent, a year. During the most recent 3-month period, the healthcare and social assistance industry added 14,500 jobs, or 2.9 percent, and accounted for all the growth in the sector. Hospitals that halted elective services during the pandemic, which led to furloughs among healthcare providers, have resumed services. Jobs in the sector are expected to continue increasing because construction of the 17-story, $1.5-billion The Pavilion at the Hospital of the University of Pennsylvania is nearing completion; the hospital is part of the University of Pennsylvania and Health System, the largest employer in the metropolitan area. The hospital was scheduled to be completed in June 2021, but it is now expected to open in October 2021 because of delays caused by COVID-19. The hospital will add approximately 500 private patient rooms and 47 operating rooms. Because many colleges and universities moved to remote learning during the 2020 spring and fall semesters to reduce the number of COVID-19 outbreaks, some workers were laid off or furloughed as campuses cut costs. During the 2021 spring semester, the University of Pennsylvania and Drexel University, the two private universities with the highest enrollment in the metropolitan area, adopted hybrid models, which included in-person and remote learning.

## During the 3 months ending May 2021, the rate of job growth in the Philadelphia metropolitan area was slightly greater than the rates for the Mid-Atlantic region and the nation.




Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Philadelphia Metropolitan Area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|---|---|---|
| University of Pennsylvania and Health System | Education & Health Services | 46,554 |
| Thomas Jefferson University and Jefferson Health | Education & Health Services | 32,000 |
| Children's Hospital of Philadelphia | Education & Health Services | 22,051 |

Note: Excludes local school districts.
Source: Moody's Analytics

# Sales Market Conditions

The home sales market in the Philadelphia metropolitan area is currently slightly tight, with an estimated vacancy rate of 1.2 percent, down from 1.6 percent in April 2010, when conditions were balanced. Sales market conditions were unchanged in 2011 before they generally tightened from 2012 through 2019, partly because economic growth contributed to lower levels of net out-migration. In 2020, despite significant job losses and increased homebuilding activity, the sales market tightened further, partially because of a decline in the number of homes listed for sale and because mortgage interest rates reached their lowest levels in more than 50 years, contributing to increased home sales. During June 2021, the metropolitan area had a 0.6-month inventory of homes for sale—down from 1.6 months a year earlier (Bright MLS). In May 2021, the average interest rate for a 30-year fixed-rate mortgage was 3.0 percent, down from 3.2 percent in May 2020 and 4.8 in May 2010 (Freddie Mac). As the sales housing market tightened, total home sales (including single-family homes, townhomes, and condominiums) rose because an increase in existing home sales offset a decline in new home sales. At the same time, the average home sales prices for both existing and new homes rose at a faster rate than a year ago.

The percentage of home loans in the Philadelphia metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status nearly doubled, to 4.0 percent in May 2021, up from 2.4 percent in May 2020 (CoreLogic, Inc.). The current rate is above the 3.6-percent rate for the Mid-Atlantic region and the 3.3-percent rate nationally. The recent increase in the rate began in April 2020, after the introduction of countermeasures to slow the spread of COVID-19 resulted in significant job losses, and some homeowners struggled to make their mortgage payments. Approximately 30,200 mortgages in the metropolitan area were 90 or more days past due in April 2021—nearly double

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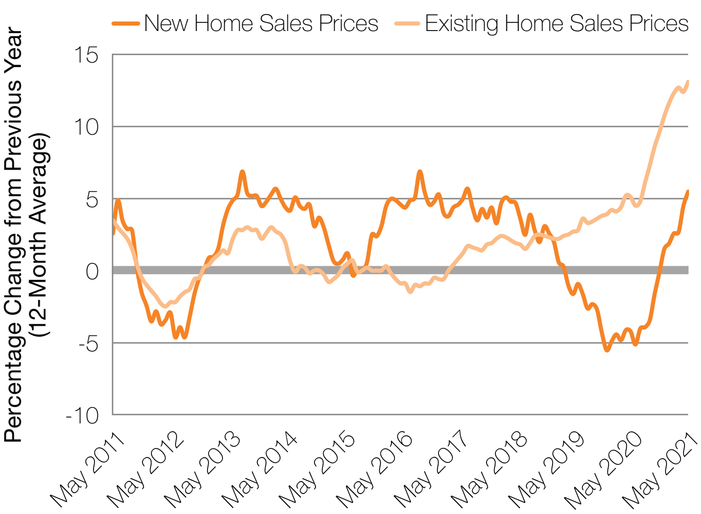
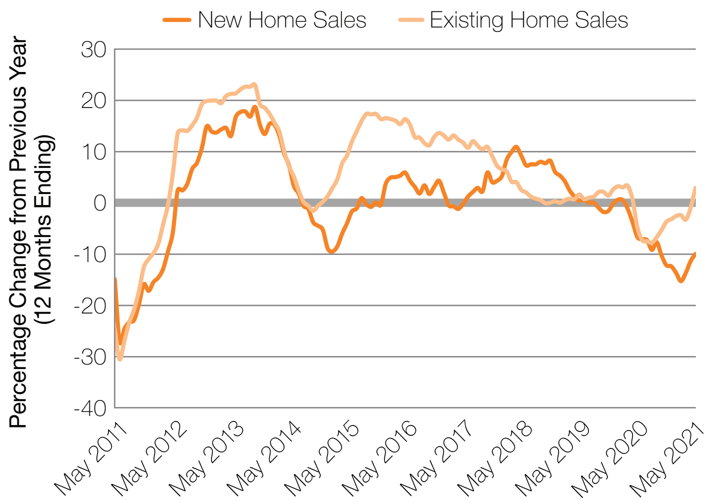
### Sales prices of new and existing homes increased significantly during the past year in the Philadelphia metropolitan area.



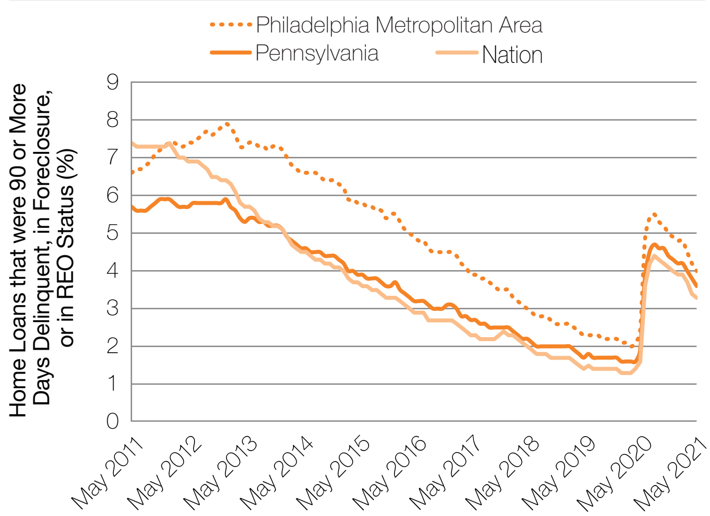

Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda

### Existing home sales in the Philadelphia metropolitan area increased during the past year, whereas new home sales declined.




Note: Sales are for single-family homes, townhomes, and condominiums.
Source: Zonda

### The rate of seriously delinquent mortgages and REO properties in the Philadelphia metropolitan area increased significantly from April 2020 through August 2020 but has declined since September 2020.




REO = real estate owned.
Source: CoreLogic, Inc.

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the total from May 2020; however, the number of foreclosures declined 14 percent, and REOs fell 55 percent. The decline in foreclosures reflects increased participation in mortgage forbearance programs by borrowers, which was provided for federally backed loans under the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act.

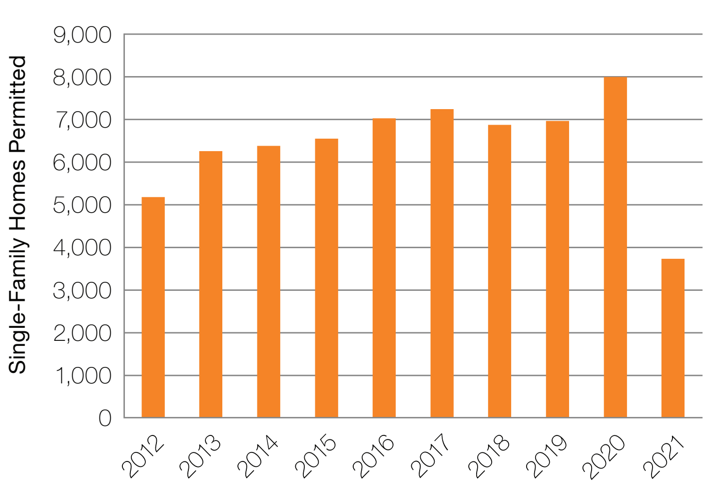
During the 12 months ending May 2021—

- Approximately 83,900 existing homes were sold in the metropolitan area, an increase of 2,350 home sales, or nearly 3 percent, from the 12 months ending May 2020; during the same 12-month periods from 2012 through 2019, home sales increased by an average of 5,425 homes, or 9 percent, annually, to 85,650 homes sold, before the inventory of homes for sale declined dramatically. Approximately 82 percent of the increase in existing sales during the recent 12 months resulted from a 3-percent increase in single-family and townhome sales; a 6-percent increase in the number of existing condominium sales accounted for the remainder of the overall gain.
- The average sales price for existing homes was $310,300, a 13-percent gain compared with a year earlier and 23 percent higher than the average annual price of $252,500 during the same 12-month periods from 2012 through 2019. Partly contributing to the most recent increase in the average existing home sales price was a decrease in REO home sales, which were sold, on average, at a price 71 percent lower than regular resale homes during the past year.
- New home sales declined by 560 homes, or 10 percent, to 5,050 homes sold compared with sales during the same period in 2020, and sales were 6 percent lower than the average of 5,400 homes sold annually during the same 12-month periods from 2012 through 2019. Approximately 62 percent of the decline in new home sales during the past year resulted from a 7-percent decrease in single-family and townhome sales; new condominium sales, which fell 40 percent, contributed to the remainder of the loss.
- The average sales price for a new home was $484,700, up 6 percent from an average price of $459,400 during the previous year and 10 percent above the average sales price during the same 12-month periods from 2012 through 2019. The increase in home sales prices during the 12 months ending May 2021 resulted from a 6-percent increase in single-family and townhome sales prices, whereas new condominium sales prices declined 3 percent.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has generally increased in the metropolitan area since 2013, and homes permitted during 2020 reached a recent high.

- During the 12 months ending May 2021, the number of single-family homes permitted increased 35 percent, to 9,050 homes, from 6,700 homes permitted a year earlier (preliminary data). In 2012, 5,175 single-family homes were permitted, and permitting increased to an average of 6,750 homes annually from 2013 through 2019 before increasing to 8,000 homes permitted in 2020.
- During the 12 months ending May 2021, nearly two-thirds of new single-family construction activity in the metropolitan area was concentrated in the counties of Chester, Montgomery, New Castle, and Philadelphia. During the same period, the fastest rate of construction increase, 58 percent, occurred in Delaware County, where homes sold at a lower price than in the surrounding northern counties of Chester and Montgomery but for a higher price than in New Castle County to the west and the city of Philadelphia to the east.
- Currently under construction in Delaware County, in the town of Newtown Square, is The Towns at Newtown Walk, a new 63-townhome subdivision, in which homes will have three to five bedrooms, starting at $600,000. In the city of Philadelphia, the Laurel Rittenhouse Square tower is currently under construction and will feature 64 luxury condominium units, with prices starting at $2.5 million, and 189 apartment units; the property will be the tallest all-residential building in the city when it is complete in 2022.

**Single-family homebuilding activity in the Philadelphia metropolitan area has generally increased since 2013, and homes permitted during 2020 reached a recent high.**




Note: Includes preliminary data from January 2021 through May 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

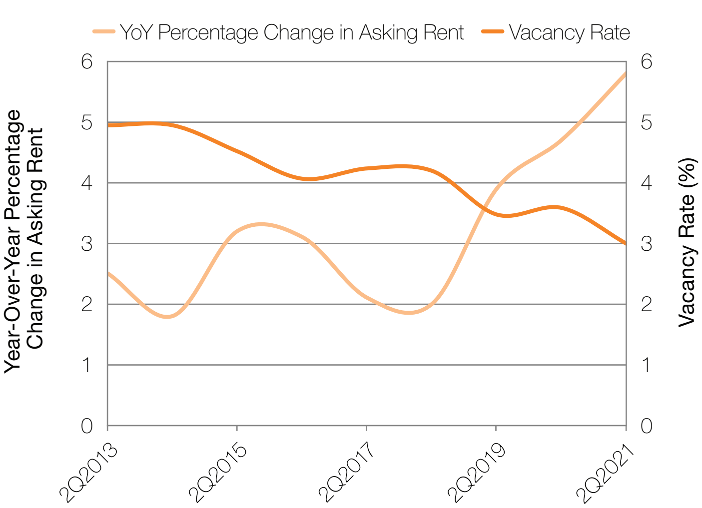
# Apartment Market Conditions

Apartment market conditions in the Philadelphia metropolitan area are tight, and the vacancy rate has declined year-over-year since the second quarter of 2012, despite the surge in apartment construction that began in 2014, net out-migration, and the impact of COVID-19. The CARES Act, which temporarily halted evictions from rental units with federally backed mortgages, may have partly eased the full impact of the countermeasures used to slow the spread of COVID-19. At the same time, apartment market conditions have softened in the past year in areas in the city of Philadelphia, where most apartment construction has occurred.

During the second quarter of 2021—

- The apartment vacancy rate was 3.0 percent—the lowest second quarter rate since 2012, lower than the 3.6-percent rate 1 year earlier, and below the national rate of 3.7 percent (RealPage, Inc.). The apartment vacancy rate declined in 13 of the 16 RealPage, Inc.-defined market areas (hereafter, market areas) that make up the Philadelphia metropolitan area. The 13 market areas were outside the city of Philadelphia, with the exception of the Northwest Philadelphia market area, where the vacancy rate declined 1 percentage point, to 3.4 percent.
- The apartment vacancy rate rose in the Northeast Philadelphia market area, to 2.7 percent, and rose to 5.9 and 7.2 percent, respectively, in the Southwest Philadelphia and the Center City Philadelphia market areas, where conditions were slightly soft and soft. Nearly one-half of all new apartments under construction in the metropolitan area were in the Southwest Philadelphia and the Center City Philadelphia market areas.
- Because of tight apartment market conditions, the average apartment rent in the Philadelphia metropolitan area increased by $81, or nearly 6 percent, to $1,473 from a year earlier; by comparison, rents rose an average of 3 percent annually during the second quarters from 2012 through 2020. Average rents increased in 15 of the 16 market areas during the second quarter of 2021, with the steepest increase of $167, or 13 percent, occurring in the Burlington County market area, to $1,465; that market area is in the New Jersey suburbs of the metropolitan area and has historically had lower rents than the denser Philadelphia market areas.
- The only market area where the average rent decreased was in the Center City Philadelphia market area, where the average rent fell $167, or 7 percent, to $2,118; that market area is the most expensive in the Philadelphia metropolitan area because of a higher concentration of new Class A units. At the same time, the average rent in the Southwest Philadelphia area increased $45, or 3 percent, to $1,718, the second highest rent in the metropolitan area; the average rent rose $78, or 7 percent, to $1,191 in the Northeast Philadelphia market area, where the average rent was the lowest among the RealPage, Inc.-defined market areas.

### The apartment vacancy rate decreased and rent growth accelerated from a year ago during the second quarter of 2021 in the Philadelphia metropolitan area despite increased multifamily construction.




2Q = second quarter. YoY = year-over-year.
Source: RealPage, Inc.

Multifamily building activity, as measured by the number of units permitted, began increasing in 2014 and rose further in 2019 and 2020 in response to tight apartment market conditions, with the highest proportion of construction occurring in the city of Philadelphia.

- During the 12 months ending May 2021, approximately 12,800 multifamily units were permitted, up 74 percent from the 7,375 units permitted during the same period a year earlier. Nearly 70 percent of new multifamily construction activity in the metropolitan area occurred in the city of Philadelphia.
- During 2012 and 2013, an average of 4,525 multifamily units were permitted annually. Permitting increased to an average of 6,175 units annually from 2014 through 2018 before rising further, to an average of 8,425 units a year during 2019 and 2020.
- Since 2014, approximately 4 percent of all multifamily units permitted in the metropolitan area were for condominiums,

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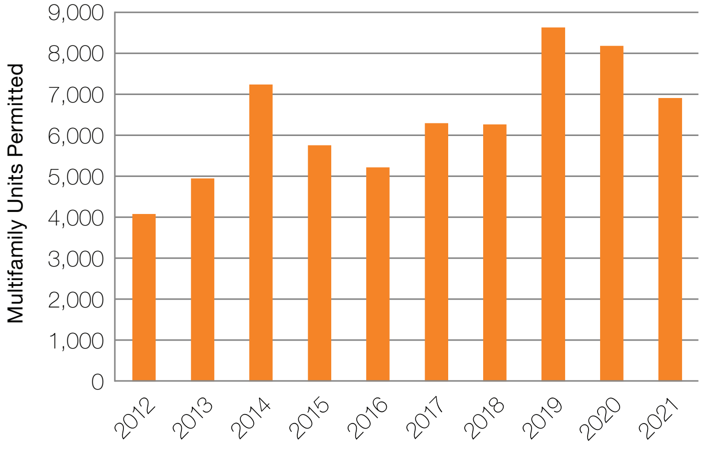
compared with less than 1 percent of all multifamily units permitted during 2012 and 2013.

- The 463-unit ANOVA uCity Square is a mixed-use property currently under construction in the Southwest Philadelphia market area near several universities, including Drexel University and the University of Pennsylvania. When complete in September 2021, rents will range from $1,545 to $4,270 for studios to three-bedroom units.
- Currently under construction in the Northern Liberties neighborhood of the RealPage, Inc.-defined Center City Philadelphia market area is the 1,144-unit Piazza Terminal three-building, mixed-use property with retail and green space. When the project is complete in December 2022, the transit-oriented development will include studios, one-bedroom, and two-bedroom units, with a fitness center and a dog park.

## Multifamily construction in the Philadelphia metropolitan area surged in 2019 and 2020.




Note: Includes preliminary data from January 2021 through May 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst