

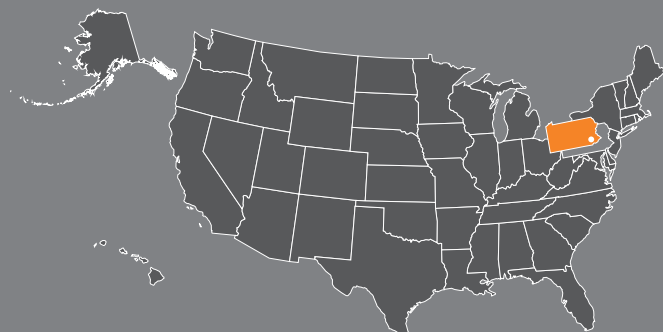
HUD PD&R Housing Market Profiles

Philadelphia, Pennsylvania



Quick Facts About Philadelphia

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The 2017 National Football League Draft was held in the city of Philadelphia, with a total attendance of 250,000 and total estimated economic impact of \$94.9 million (Philadelphia Convention and Visitors Bureau).**



By Joseph Shinn | As of May 1, 2018

Overview

The Philadelphia metropolitan area consists of the Pennsylvania portion of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area and includes two metropolitan divisions: Philadelphia (which also includes Delaware County) and Montgomery County-Bucks County-Chester County. The education and health services sector accounts for nearly one-fourth of all payrolls in the metropolitan area, and jobs have been added in the sector each year since 1991. The sector includes University of Pennsylvania Health System and Thomas Jefferson University Hospitals Jefferson Health, which are the two largest employers in the metropolitan area with 39,050 and 23,000 employees respectively.

- As of May 1, 2018, the population of the metropolitan area was 4.13 million, representing an average increase of 13,350, or 0.3 percent, annually since 2012 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2008 to 2012, the population increased by an average of 23,350, or 0.6 percent, annually.
- The slowdown in population growth was because of lower levels of net in-migration, which is partially attributed to slower job growth relative to the rest of the nation. Since 2012, net in-migration averaged 1,775 annually compared with net in-migration that averaged 8,200 annually from 2008 to 2012.

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- The city of Philadelphia, which is coterminous with Philadelphia County, is the sixth most populous city in the nation, with a total population of 1.58 million in 2017. From 2012 through 2017, the

population of the city increased an average of 0.4 percent annually; steady net out-migration, which averaged 2,000 annually, caused the slow population growth.

Economic Conditions

Economic conditions in the Philadelphia metropolitan area improved during the past 8 years, although job growth since the end of The Great Recession has been slower than for the nation as a whole. During that period, nonfarm payrolls in the Philadelphia metropolitan area increased an average of 1.1 percent annually compared with an average annual increase of 1.6 percent nationwide. During the past year, job growth in the Philadelphia metropolitan area continued but growth slowed compared with the previous 2 years because of a combination of declines in the goods-producing sectors and slower growth in most service-providing sectors.

During the 3 months ending April 2018—

- Nonfarm payrolls averaged nearly 2.02 million jobs, representing an increase of 23,500 jobs, or 1.2 percent, from the 3 months ending April 2017. By comparison, nonfarm payrolls increased an average of 1.7 percent annually in corresponding periods during the previous 2 years.

- Gains were largest in the education and health services and the professional and business services sectors, which increased by 14,900 and 4,700 jobs, or 3.1 and 1.4 percent, respectively. More than 80 percent of the gain in the education and health services sector was in the healthcare and social assistance industry, which was up by 12,200 jobs, or 3.4 percent. Future gains in the industry will include an unspecified number of jobs added at Children's Hospital of Philadelphia with the opening of a new hospital in King of Prussia in Montgomery County during 2021.
- Nonfarm payrolls in the mining, logging, and construction and the manufacturing sectors declined by 1,800 and 800 jobs, or 2.4 and 0.6 percent, respectively, compared with 4.0- and 0.3-percent increases, respectively, during the same period a year earlier. Losses in Montgomery County include John Middleton Company closing a tobacco-producing plant in early 2018, resulting in approximately 120 jobs lost, and ArcelorMittal began laying off 125 workers at its steel plant in April 2018.

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Nonfarm payrolls increased in most service-providing sectors in the Philadelphia area but were down in both goods-producing sectors.

	3 Months Ending		Year-Over-Year Change	
	April 2017 (thousands)	April 2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,993.6	2,017.1	23.5	1.2
Goods-producing sectors	198.3	195.8	- 2.5	- 1.3
Mining, logging, and construction	74.0	72.2	- 1.8	- 2.4
Manufacturing	124.4	123.6	- 0.8	- 0.6
Service-providing sectors	1,795.2	1,821.4	26.2	1.5
Wholesale and retail trade	269.8	270.9	1.1	0.4
Transportation and utilities	64.0	64.4	0.4	0.6
Information	35.3	34.5	- 0.8	- 2.3
Financial activities	138.8	141.2	2.4	1.7
Professional and business services	329.2	333.9	4.7	1.4
Education and health services	482.6	497.5	14.9	3.1
Leisure and hospitality	177.2	179.5	2.3	1.3
Other services	86.6	86.4	- 0.2	- 0.2
Government	211.8	213.2	1.4	0.7
	(percent)	(percent)		
Unemployment rate	4.8	4.4		

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

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- The unemployment rate averaged 4.4 percent, down from 4.8 percent during the same period a year earlier and from an average of 8.0 percent during corresponding periods from 2010 to 2013.

The leisure and hospitality sector has been the fastest growing sector in the metropolitan area since 2010. During this period, nonfarm payrolls in the sector increased by an average of 4,200 jobs, or 2.6 percent, annually. These gains were partially attributed to growth in the casino industry, including the opening in 2010 of SugarHouse Casino, which currently employs approximately 1,600 employees. Gains in the industry during the past year include Parx Casino adding approximately 200 new jobs in late 2017, when a \$50 million expansion was completed. Growth in the casino industry is expected to continue during the next 3 years, including the addition of a new casino in South Philadelphia. Live! Hotel and

Largest employers in the Philadelphia area

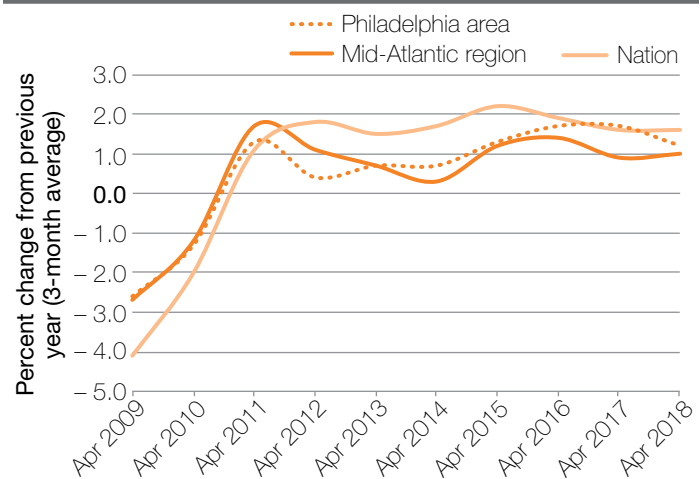
Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pennsylvania Health System	Education and health services	39,050
Thomas Jefferson University Hospitals Jefferson Health	Education and health services	23,000
Comcast Corporation	Professional and business services	14,550

Note: Excludes local school districts.

Source: *Philadelphia Business Journal*, 2017

Casino Philadelphia is expected to begin construction during 2018, with completion scheduled for 2020. Approximately 3,000 jobs are expected to be created during the construction of the casino, and nearly 1,450 permanent jobs are estimated once the casino is fully operational.

Nonfarm payrolls increased during the past 8 years in the Philadelphia area, although job growth slowed during the past year.



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the Philadelphia metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.0 percent, down from the 1.5-percent rate in 2010. During the 12 months ending March 2018, the metropolitan area had an average of 3.3 months of available housing inventory, down from an average of 3.8 months of inventory during the previous 12-month period (CoreLogic, Inc.). In response to steadily improving economic conditions, sales of existing homes (including single-family homes, townhomes, and condominiums) increased at a strong pace during the past 6 years. The average sales price of existing homes was relatively unchanged during the past year but was up in 4 of the previous 5 years, which is attributed to the strong increases in existing home sales. Sales of new homes increased during the past year and in 4 of the past 6 years. The current level of new home sales, however, is well below those during the mid-2000s, which is partially attributed to decreased demand for the higher priced new homes after the recession because of relatively slow employment growth. The average sales price of new homes sold, however, increased in each of the past 6 years because of the limited supply of newly constructed homes. As of March 2018, 2.6 percent of home loans were seriously delinquent

(90 or more days delinquent or in foreclosure) or had transitioned into real estate owned status, down from 3.2 percent in March 2017 and a peak of 6.1 percent in January 2013 (CoreLogic, Inc.).

During the 12 months ending February 2018—

- Approximately 65,000 existing homes sold, an increase of 5,075 homes, or 8 percent, from the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Existing home sales have increased an average of 10 percent annually since 2012, and the current level of sales is up 85 percent compared with the 35,150 homes sold during 2011.
- The average sales price of existing homes was relatively unchanged at \$202,400. The average sales price, however, increased an average of 3 percent annually during the previous 5 years, and the current price is up 15 percent compared with \$176,300 during 2011.
- New homes sales totaled approximately 3,550, representing an increase of 260 homes, or 8 percent, compared with the 12 months ending February 2017. The current level of sales, however, is down nearly 60 percent from the average of 8,550 new homes sold annually during the recent peak in 2005 and 2006.

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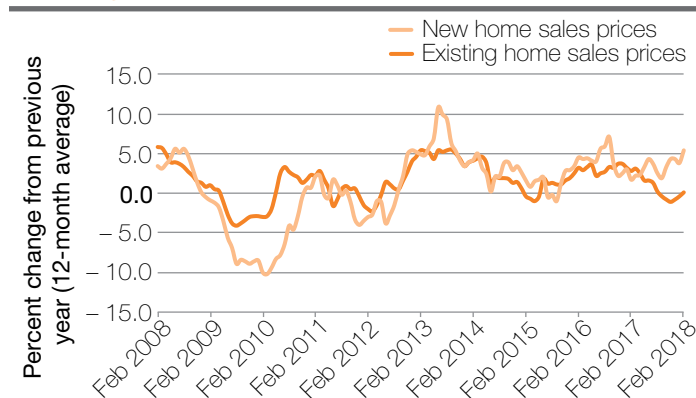
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- The average sales price of new homes increased more than 5 percent to \$484,100. The average price increased an average of 4 percent annually during the past 6 years, and the current average price is at a peak level.

Single-family home construction activity recently increased in response to rising levels of new homes sales. Building levels, however, are well below those from the early to mid-2000s, when demand for new homes was strongest.

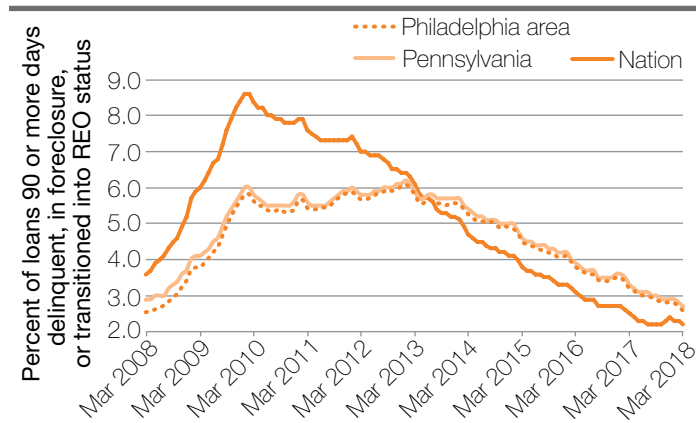
- During the 12 months ending April 2018, single-family homebuilding activity, as measured by the number of homes permitted, totaled approximately 4,350 homes, up 2 percent compared with the 4,250 homes permitted during the previous 12-month period (preliminary data).

The average sales price of new homes in the Philadelphia area increased during the past year, but the average price of existing homes was relatively unchanged.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

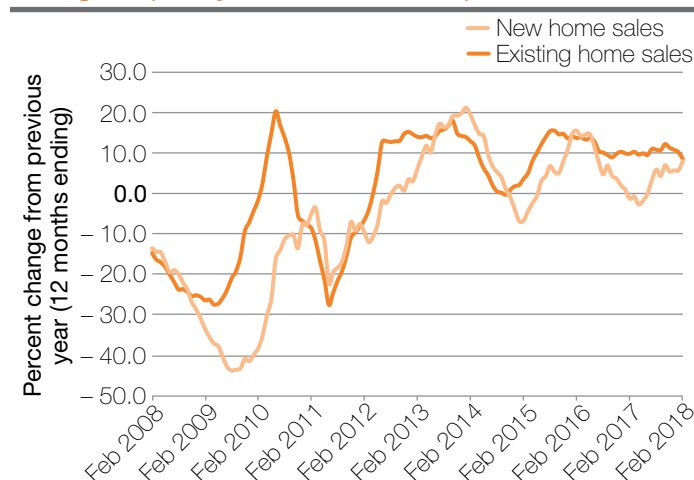
Since early 2013, the rates of seriously delinquent mortgages and REO properties in the Philadelphia area and state of Pennsylvania have declined at a similar pace.



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

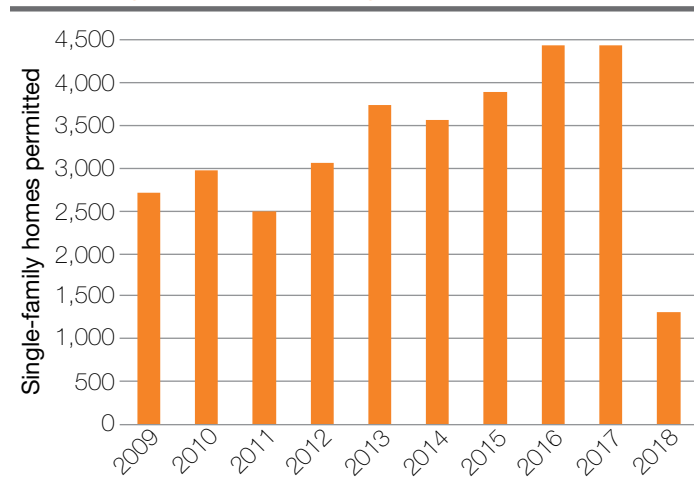
- Construction activity averaged 4,000 homes permitted annually from 2013 through 2017, up 43 percent compared with the average of 2,800 homes permitted annually from 2009 through 2012. The recent level of building activity, however, is down more than 50 percent from the average of 8,400 homes permitted annually from 2000 through 2005.
- In the city of Philadelphia, single-family construction activity averaged 780 homes permitted annually from 2013 through 2017, up 77 percent compared with the average of 440 homes permitted annually from 2009 through 2012. The increased building activity was largely in or near Center City and was attributed to higher demand in response to new entertainment and dining options.

Sales of both new and existing homes increased during the past year in the Philadelphia area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-family permitting activity in the Philadelphia area was up from 2013 through 2017 compared with permitting from 2009 through 2012.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Philadelphia metropolitan area are currently balanced compared with slightly soft conditions in 2010. Conditions have been brought into balance since 2010, in part, because of more new households choosing to rent rather than own in response to tighter borrowing requirements and relatively weak economic growth.

During the first quarter of 2018—

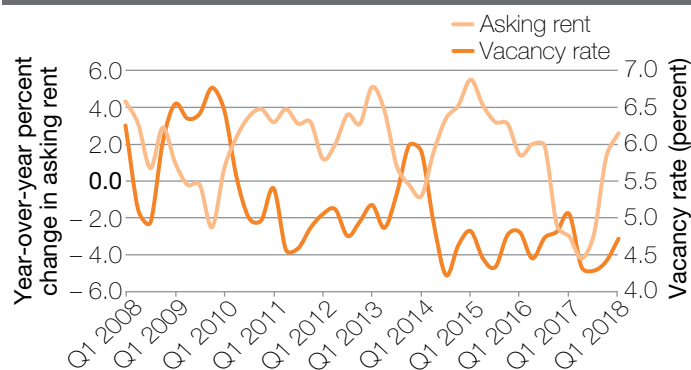
- The apartment vacancy rate was 4.7 percent in the metropolitan area, down from 5.1 percent during the first quarter of 2017 and a 6.5-percent rate during the first quarter of 2010 (Axiometrics, Inc.).
- Vacancy rates in the 22 Axiometrics, Inc.-defined market areas that comprise the metropolitan area ranged from 2.4 percent in the Somerton/Bustleton area to 6.2 percent in the Lansdale/Gwynedd area. In the Center City area, the vacancy rate increased to 5.8 percent, up from 5.0 percent, which is largely attributed to the number of newly constructed apartment units coming online during the past year increasing more than 25 percent compared with the previous year (estimates by the analyst).
- The average asking rent in the metropolitan area increased nearly 3 percent to \$1,350 from the first quarter of 2017. By comparison, during the first quarter of 2017, the average asking rent declined 3 percent from the same period a year earlier.
- The average rent was highest in the Center City area at \$2,188, which represents a 2-percent increase from a year earlier. Rent growth was strongest, however, in the South Philadelphia and West Philadelphia areas, where rents increased 11 and 8 percent, respectively, in response to tightening apartment market conditions.

In response to lower vacancy rates at existing apartment communities, multifamily construction activity in the metropolitan area has been strong since 2014, and recent levels are slightly higher than those during the mid-2000s, when construction activity was strong.

- During the 12 months ending April 2018, multifamily building activity, as measured by the number of units permitted, totaled 4,275 units, up 9 percent compared with the 3,925 units permitted during the previous 12-month period (preliminary data).
- From 2014 through 2017, an average of 4,100 multifamily units were permitted annually, up more than 140 percent compared with the average of 1,675 units permitted annually from 2008 through 2013. Recent construction activity is also 3 percent higher than the average of 4,000 units permitted annually from 2003 through 2005, a previous peak.
- The recent strong uptick in construction activity was especially notable in Montgomery County, where an average of 870 units were permitted annually from 2014 through 2017, nearly six times the average of 150 units permitted annually from 2008 through 2013.

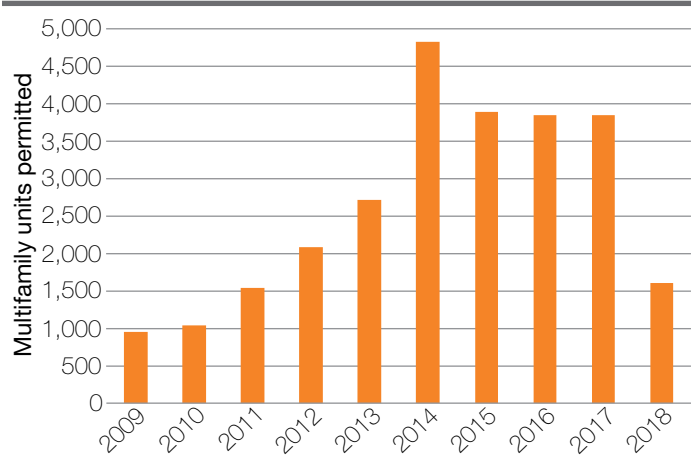
- From 2012 through 2017, approximately 6 percent of all multifamily units permitted were condominiums, down from 31 percent of all multifamily units permitted from 2006 through 2011 (estimate by the analyst).
- Recent construction activity includes the 275-unit AVE King of Prussia, which is in Montgomery County and was completed in early 2018. Rents for these one- and two-bedroom units start at \$1,900 and \$2,500 respectively.
- Construction is under way at the first phase of The Hamilton apartment community in the Logan Square neighborhood of the city of Philadelphia. The first phase of 280 units is expected to be completed by the end of 2018, with 600 studio, one-, and two-bedroom units expected once the community is fully built.

Since the first quarter of 2015, rent growth in the Philadelphia area has fluctuated, and vacancy rates have ranged from 4.3 to 5.1 percent.



Q1 = first quarter.
Source: Reis, Inc.

Multifamily permitting activity in the Philadelphia area increased each year from 2009 through 2014, and levels have remained elevated.



Note: Includes preliminary data from January 2018 through April 2018.
Source: U.S. Census Bureau, Building Permits Survey