

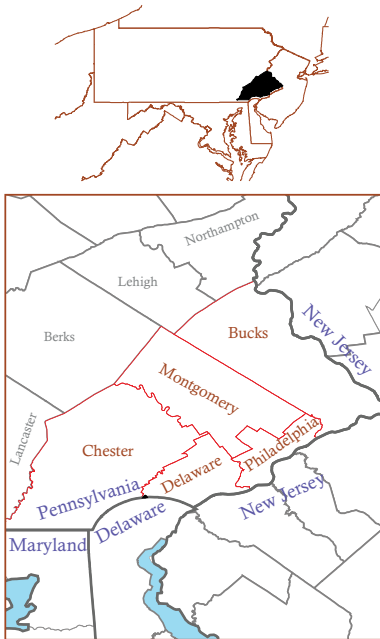


Philadelphia, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2007



Housing Market Area



The Philadelphia, Pennsylvania Housing Market Area (HMA) comprises the city of Philadelphia and four suburban counties. In this analysis, the HMA is divided into three submarkets: the city of Philadelphia, Bucks and Montgomery Counties, and Chester and Delaware Counties. The HMA is coterminous with the Philadelphia, Pennsylvania Metropolitan Division, one of three divisions within the four-state Philadelphia Metropolitan Area. The metropolitan area is the fifth largest in the nation, with 5.7 million people, 70 percent of whom reside in the HMA.

Summary

Economy

After declining at the beginning of the current decade, the economy of the Philadelphia HMA has been growing at a slightly slower pace than during the 1990s. The education and health services sector is the largest and fastest growing sector of the economy. The leading employers in the area are universities and hospital systems. Remnants of the former manufacturing base include highly specialized companies, many of which produce pharmaceutical and healthcare-related products. Tourism is an important component of the economy; approximately 2 million people visit local historic sites every year.

Sales Market

The sales housing market in the HMA is currently balanced. During 2006, sales of existing homes declined by 8 percent from the record number of 52,370 homes sold during 2005. The average sales

price of a home was \$277,500, up 3 percent from the previous year. A stable labor market and continued household growth will generate demand for 24,400 new homes during the forecast period, as shown in Table 1.

Rental Market

The rental market in the HMA is balanced, although rental vacancy rates rose slightly to 6.4 percent at the end of 2006 as eight new apartment projects actively marketed 1,000 units. According to Delta Associates, rents for Class A units—those in large developments with all amenities—averaged \$1,150, which is approximately 4 percent higher than Class A rentals in 2005. Increased interest rates and tighter loan standards for home purchases will generate demand during the forecast period for 5,775 new market-rate rental units, as shown in Table 1.

Market Details

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Table 1. Housing Demand in the Philadelphia HMA, 3-Year Forecast, January 1, 2007 to January 1, 2010

	Philadelphia HMA		City of Philadelphia Submarket		Bucks and Montgomery Counties Submarket		Chester and Delaware Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	24,400	5,775	1,650	850	11,700	3,275	11,050	1,650
Under Construction	4,445	1,000	1,670	570	1,425	290	1,350	140

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Forecast demand in the City of Philadelphia is limited primarily to Center City Philadelphia and adjacent areas. Units under construction as of January 1, 2007.

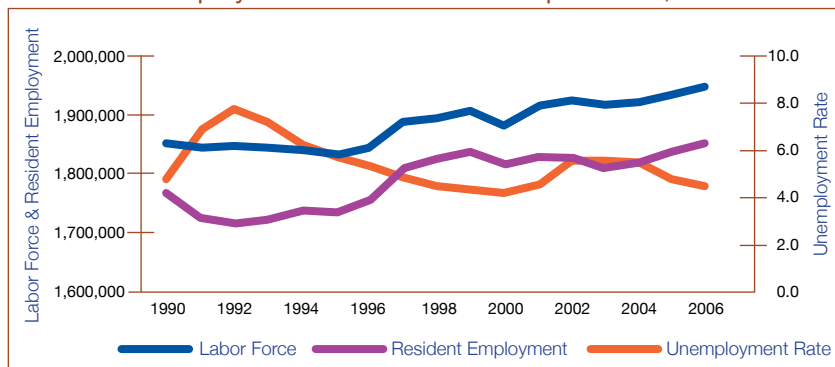
Source: Estimates by analyst

Economic Conditions

The economy of the Philadelphia HMA has grown slowly since 1990. Resident employment increased by 0.2 percent annually during the 1990s and rose gradually to 0.4 percent a year during the next decade. Between 2005 and 2006, resident employment grew by slightly more than 1 percent to total 1,853,700. The unemployment rate, at 4.6 percent, is currently equal to the national rate. Figure 1 provides information on trends in the labor force, resident employment, and unemployment rate in the HMA since 1990.

During the 1990s, approximately 11,100 jobs were created annually, compared with 6,000 created annually during the current decade. Since 1990 nonfarm employment has increased by 148,300 jobs. Almost 80 percent of the new jobs have been in the education and health services sector, currently the largest employment sector accounting for nearly 21 percent of the jobs in the HMA. The sector has added jobs steadily since 1990. Figure 2 depicts employment growth by sector since 1990.

During 2006, nonfarm employment increased by 0.8 percent to 1,904,700 jobs, as shown in Table 2. Employment in the service-providing sectors increased by 0.9 percent. The professional and business services sector and education and health services sector each added more than 8,000 jobs, accounting for increases of 3 percent and 2 percent, respectively. As a result of expansion at the 25 colleges and universities and 15 major medical institutions, employment increased at all professional and administrative levels in

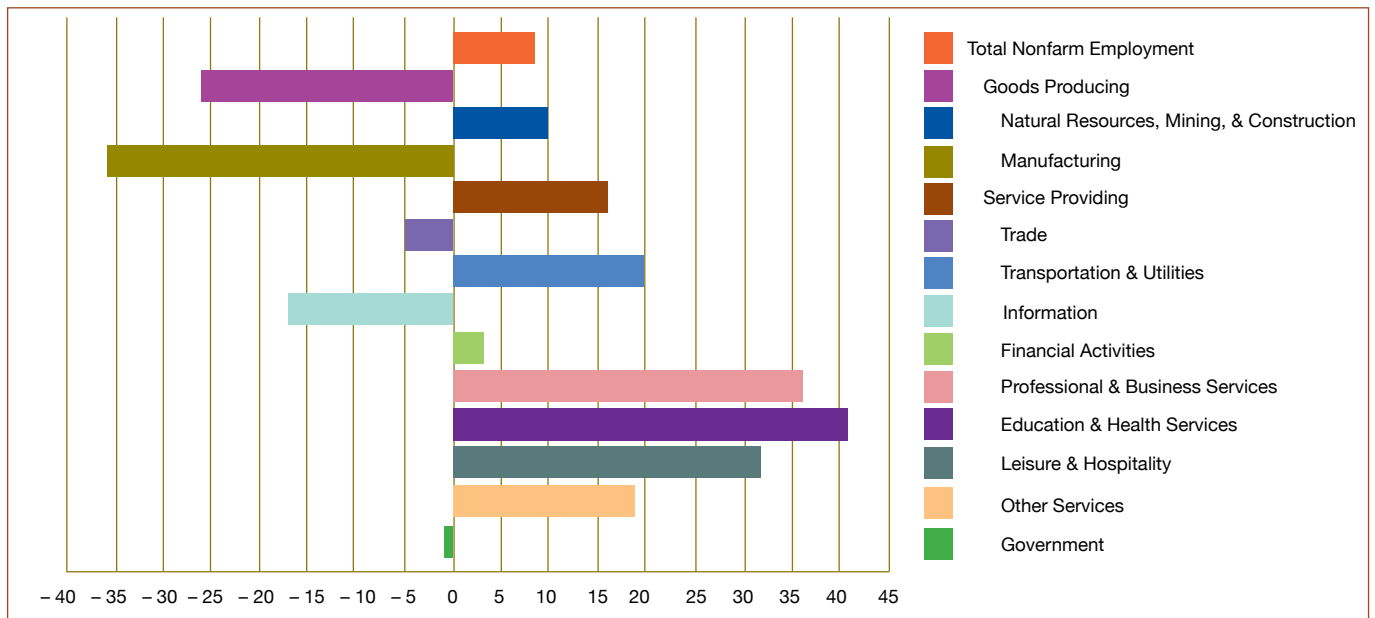
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Philadelphia HMA, 1990 to 2006

Source: U.S. Bureau of Labor Statistics

the education and health services sector. New jobs in the architectural, engineering, and scientific research industries accounted for more than half the increase in the

professional and business services sector. Figure 3 provides the percentage of employment in each sector in the HMA for 2006.

Figure 2. Sector Growth in the Philadelphia HMA, Percent Change, 1990 to Current



Note: Current is based on annual averages for 2006.

Source: U.S. Bureau of Labor Statistics

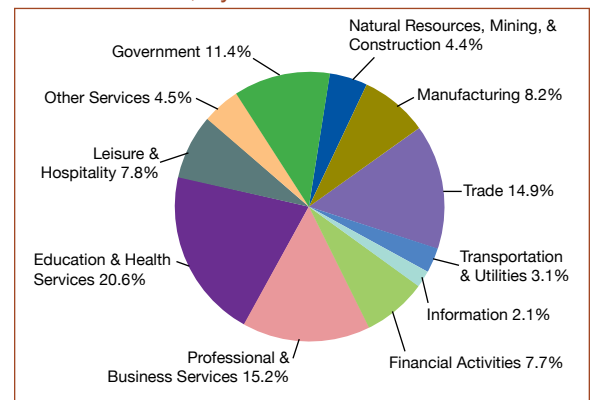
Table 2. 12-Month Average Employment in the Philadelphia HMA, by Sector

Employment Sector	12 Months Ending December 2005	12 Months Ending December 2006	Percent Change
Total Nonfarm Employment	1,890,000	1,904,700	0.8
Goods Producing	240,600	239,800	-0.3
Natural Resources, Mining, & Construction	80,900	83,000	2.6
Manufacturing	159,700	156,800	-1.8
Service Providing	1,649,500	1,664,900	0.9
Trade	284,400	283,600	-0.3
Transportation & Utilities	59,900	60,000	0.2
Information	41,100	40,800	-0.7
Financial Activities	145,600	146,200	0.4
Professional & Business Services	281,500	290,000	3.0
Education & Health Services	384,900	393,200	2.2
Leisure & Hospitality	147,100	148,900	1.2
Other Services	85,800	84,900	-1.0
Government	219,100	217,400	-0.8

Notes: Based on 12-month averages through December 2005 and December 2006. Numbers may not add to total because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the Philadelphia HMA, by Sector



Note: Based on 12-month averages through December 2006.

Source: U.S. Bureau of Labor Statistics

The leisure and hospitality sector has increased steadily since the mid 1990s and currently accounts for nearly 8 percent of all nonfarm jobs in the HMA. The major historical sites of Independence Hall and the Liberty Bell attract more than 2 million travelers to the area each year. During 2005, 20 million people traveled for leisure to the area and 7.3 million traveled for business, according to the Center City District and the Greater Philadelphia Tourism Marketing Corporation. The economic impact of tourism in the HMA during 2005 was estimated at \$10.1 billion. Efforts by Pennsylvania and Philadelphia to expand the Pennsylvania Convention Center and increase the number of local attractions, such as George Washington's home, are expected to increase tourism in the HMA during the forecast period.

Nearly half of the 30 leading employers in the HMA, including 3 of the top 5, are related to education and health services. Jefferson Health System, Inc., the leading employer in the HMA, comprises five member hospital systems and includes a world-famous teaching institution, Thomas Jefferson University Hospital. The second leading employer in the HMA, the University of Pennsylvania, is the leading employer in the city of Philadelphia and reports an economic impact of \$6.5 billion on the city and \$9.6 billion on the state. The university's current enrollment is nearly 19,000 undergraduate and graduate students. The University of Pennsylvania Health System, consisting of three hospital groups, employs nearly 12,000 people. Table 3 lists the major employers in the HMA.

Table 3. Major Employers in the Philadelphia HMA

Name of Employer	Employment Sector	Number of Employees
Jefferson Health System, Inc.	Health Services	27,160
University of Pennsylvania	Education Services	23,310
Merck & Co., Inc.	Manufacturing	12,000
University of Pennsylvania Health System	Health Services	11,910
The Boeing Company	Manufacturing	9,500
Vanguard Group	Financial Activities	8,500
The Children's Hospital of Philadelphia	Health Services	7,885
Urban Outfitters	Retail Trade	6,000
Comcast-Spectacor	Information	5,955
US Airways	Transportation	5,300

Source: Philadelphia Business Journal

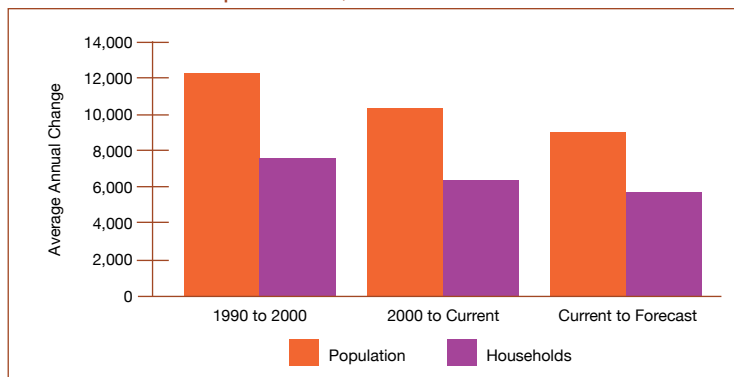
During the 1990s, manufacturing jobs in the HMA declined, but employment growth in the service-providing sector more than offset the losses. Between 1990 and the current date, the manufacturing sector lost 90,100 jobs. In the manufacturing sector, which now accounts for 8 percent of all jobs in the HMA, the leading companies are concentrated in the production of highly specialized goods. Merck & Co., Inc., located in Montgomery County, is one of the nation's leading pharmaceutical manufacturers. The Boeing Company, located in Delaware County, manufactures helicopters for the military.

Population and Households

Just as the economy has grown slowly since 1990, the population of the Philadelphia HMA also has increased gradually. During the 1990s, the population grew by an average of 12,100 a year. Since 2000, population growth has slowed to 10,300 annually because net natural increase (resident births minus resident deaths) has grown at a slower rate while net out-migration has remained stable. Currently, the population of the HMA totals 3.9 million. Figure 4 illustrates population and household growth from 1990 to the forecast period. Figure 5 depicts components of population change in the HMA for the same period.

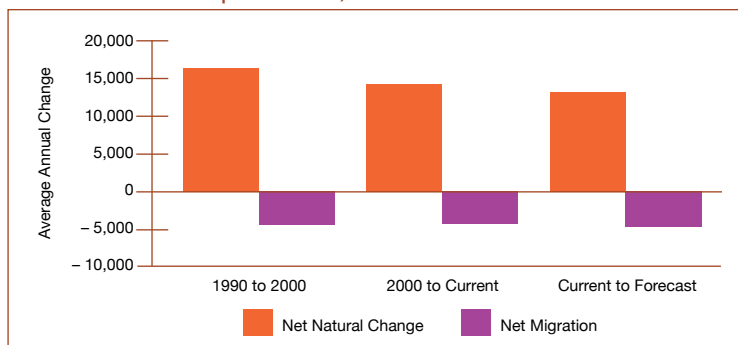
Philadelphia is the fifth largest city in the nation, with a current population of 1,471,500. Net out-migration has been the dominant component of population change for the entire city since 1990, causing a decrease in population. Population loss will continue in the city through the forecast period. Despite overall population declines in the city, significant population growth in the 20 census tracts that are traditionally defined as Center City Philadelphia began in the mid-1990s. Center City has grown by 1,525 annually since 2000. It currently represents 5 percent of the total population in the city and is expected to add another 1,200 people a year through 2009.

Figure 4. Population and Household Growth in the Philadelphia HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Philadelphia HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

The population of the Bucks and Montgomery Counties submarket grew by almost 13,000 a year during the 1990s, faster than any other submarket in the HMA, and has continued to grow since 2000 but at a slower rate. The current population of the submarket is estimated at 1,412,500. Growth will continue through the forecast date at a more moderate annual rate of approximately 8,175. The population of the Chester and Delaware Counties submarket has been growing steadily since 1990, with most of the expansion occurring in Chester County. During the 1990s, population growth in the Chester and Delaware Counties submarket was approximately 6,025 a year, less than half the annual population increase that occurred in the Bucks and Montgomery Counties submarket during the same period. The population of the Chester and Delaware Counties submarket has increased by 7,500

annually since 2000, and, during the forecast period, the estimated annual population growth of 8,000 in the submarket will approximate that of the Bucks and Montgomery Counties submarket.

As with population, the number of households in the HMA has increased at a slower rate since 1990 and will continue to do so through the forecast period. The development of highrise apartments and

condominiums that attracted young professionals and empty nesters to Center City Philadelphia and the development of age-restricted complexes in the suburban counties contributed to the overall reduction in the number of households in the HMA. See Tables DP-1, DP-2, DP-3, and DP-4 at the end of this report for detailed information about population and household change in the HMA and its three submarkets.

Housing Market Trends

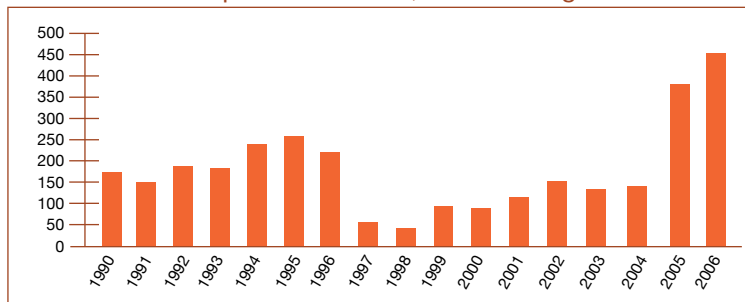
Sales Market—City of Philadelphia Submarket

The sales housing market in the city of Philadelphia submarket is currently balanced, with a sales vacancy rate of 2.0 percent, little changed from the rate of approximately 2 percent reported in both 1990 and 2000. According to TREND MLS, sales of existing homes reached a record-high 17,640 units during 2005. In 2006, existing sales declined by 3 percent to 17,150 homes because of moderate

increases in mortgage interest rates and higher prices. The average sales price of an existing home increased by slightly more than 5 percent, to \$180,000, during 2006 after rising by 15 percent during 2005.

Few single-family homes are currently under construction in the city of Philadelphia, with the exception of defined areas of redevelopment. During 2006, single-family building permits were issued for 450 new homes, up from 380 during 2005. Most of these new homes are being constructed on two redevelopment sites: one is adjacent to the former Philadelphia Navy Yard, with home sales prices starting at \$350,000, and the other is on the southern boundary of Center City, with prices starting at \$500,000. See Figure 6 for data on single-family building permits issued in the city of Philadelphia submarket from 1990 to 2006.

Figure 6. Single-Family Building Permits Issued in the City of Philadelphia Submarket, 1990 Through 2006



Notes: Includes only single-family units. Includes data through December 2006.
Source: U.S. Census Bureau, Building Permits Survey

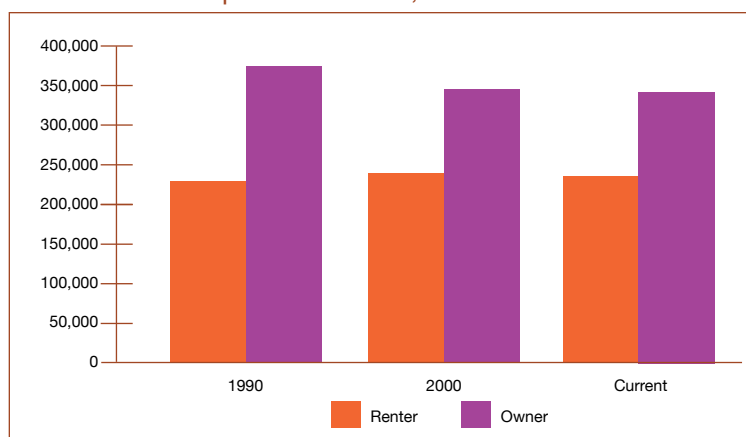
The largest portion of development is primarily in Center City Philadelphia, where condominiums are being built to attract empty nesters and young professionals. According to the Center City District and Central Philadelphia Development Corporation, the area has the third largest downtown residential population in the nation. Development is now spreading beyond the original boundaries of Center City to adjacent neighborhoods that are gentrifying. Most newly constructed sales units are in highrise condominium buildings. During 2006, 1,350 condominium units were permitted, which was 79 percent of all multifamily permits issued and a slight decrease from the 1,700 condominium units permitted during 2005. The development of condominiums in Center City increased after 1997, when locally enacted 10-year tax abatement legislation was applied to the rehabilitation and conversion of commercial structures for residential use. Development accelerated after 2000 when the legislation was extended to new construction. Currently, the sales

housing vacancy rate in Center City is 3 percent, higher than the overall submarket rate because developers are marketing approximately 4,600 condominium units in projects both recently completed and anticipated for delivery in 2007. Condominium sales prices in Center City begin at \$250,000 for a one-bedroom unit and increase to as much as \$12,000,000 for luxury penthouses.

The percentage of owner-occupied dwellings in the city of Philadelphia submarket declined from 62 percent in 1990 to 59 percent in 2000. Since 2000, approximately 53 percent of all new construction has been for owner-occupied housing; however, the percentage of owner-occupied units has remained relatively unchanged. Figure 7 shows the change in the number of households in the submarket.

During the forecast period, demand for new homes in the city of Philadelphia submarket, outside of Center City Philadelphia, will be limited to the replacement of obsolete units. During this period, demand for new homes in Center City and the adjacent growth areas will be at reduced levels as existing inventory is absorbed, interest rates rise, and the shift to homeownership slows. Demand for new homes in Center City is forecast to be 1,650 units during the next 3 years, with prices starting at \$350,000 for a one-bedroom condominium. Table 4 presents detailed information on estimated demand for sales housing by price range for the city of Philadelphia submarket, limited to production in Center City and the adjacent areas, during the forecast period.

Figure 7. Number of Households by Tenure in the City of Philadelphia Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Housing Market Trends

Sales Market—City of Philadelphia Submarket *Continued*

Table 4. Estimated Demand for New Market-Rate Sales Housing in the City of Philadelphia Submarket, January 1, 2007 to January 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
300,000	399,999	580	35.2
400,000	499,999	410	24.8
500,000	749,999	330	20.0
750,000	999,999	250	15.2
1,000,000	and higher	80	4.8

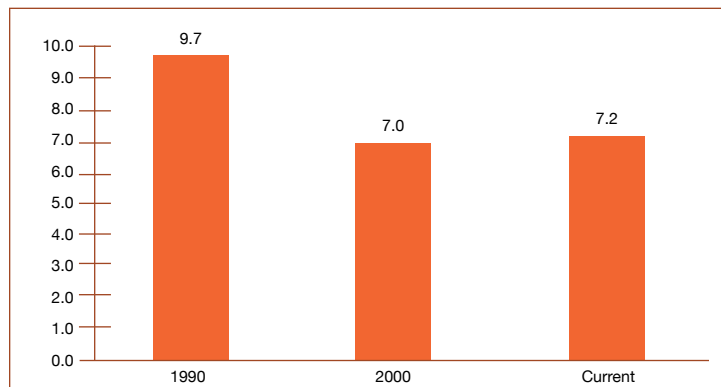
Note: Forecast demand in the City of Philadelphia is limited primarily to Center City Philadelphia and adjacent areas.
Source: Estimates by analyst

Rental Market—City of Philadelphia Submarket

The rental housing vacancy rate in the city of Philadelphia submarket is 7.2 percent, as shown in Figure 8, and the market is balanced. As with the stock of housing for sale,

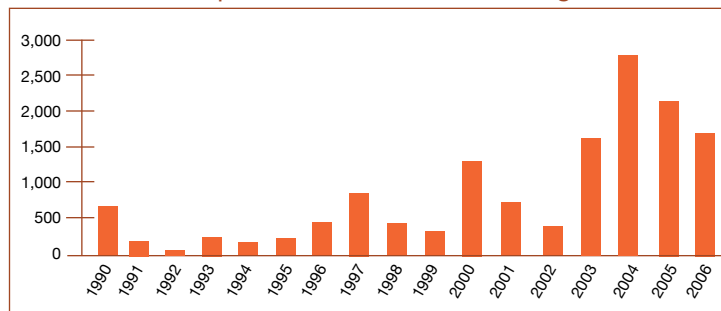
many of the available rental units in the submarket are older and lack modern amenities. The construction of rental units has been limited since 1990 and most new projects have been built in Center City. Currently, the rental vacancy rate in Center City is 7.5 percent. This rate is slightly higher than the rate for the city as a whole due to 175 units in three rental projects currently in lease-up and a shift to homeownership stimulated by the tax abatement available to purchasers of new and converted condominiums. Demand for new rental housing units in Center City remains strong, and the vacancy rate in recently constructed Class A highrise buildings is slightly above 3 percent, according to Delta Associates.

Figure 8. Rental Vacancy Rates in the City of Philadelphia Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the City of Philadelphia Submarket, 1990 Through 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2006.

Source: U.S. Census Bureau, Building Permits Survey

In 2000, all of the 1,250 multifamily units permitted were intended for rental occupancy. By 2003 and 2004, however, only 30 percent of the 4,350 multifamily units permitted during the 2-year period were constructed for rent. In 2005 and 2006, the percentage declined further to 20 percent of the 3,850 multifamily units permitted. See Figure 9 for information on

Housing Market Trends

Rental Market—City of Philadelphia Submarket *Continued*

multifamily building permit activity since 1990. Development of units for rent in Center City continues to occur in larger highrise buildings with two projects, Edgewater and Southbridge, accounting for 500 units. Average absorption during 2006 slowed to 11 units per month from 15 units per month during the 3 previous years.

Rents outside Center City Philadelphia start at approximately \$700 for an older two-bedroom unit in an established neighborhood. Rents are considerably higher in Center City, where a two-bedroom unit in a project built before 2000 rents for approximately \$1,600 a month and a newly constructed two-bedroom unit rents for \$1,800.

During the forecast period, demand for new market-rate rental units in the city of Philadelphia submarket will be limited primarily to Center City Philadelphia and the adjacent growth areas. Demand is forecast to be 850 units over the next 3 years, including 570 units currently under construction, with rents starting at \$1,350 for a one-bedroom unit, \$1,800 for a two-bedroom unit, and \$2,100 for a three-bedroom unit. Table 5 presents detailed information on estimated demand for rental housing by rent ranges and number of bedrooms for Center City Philadelphia and the adjacent areas during the forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the City of Philadelphia Submarket, January 1, 2007 to January 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,350	425	1,800	340	2,100	85
1,400	375	1,850	280	2,150	75
1,450	345	1,900	260	2,200	70
1,500	310	1,950	230	2,250	60
1,550	270	2,000	200	2,300	50
1,600	230	2,050	170	2,350	45
1,650	190	2,100	140	2,400	40
1,750	150	2,200	115	2,500	30
1,850	120	2,300	75	2,600	20
1,950	100	2,400	50	2,700	15
2,050	75	2,500	35	2,800	10
and higher		and higher		and higher	

Notes: Forecast demand in the City of Philadelphia is limited primarily to Center City Philadelphia and adjacent areas. Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

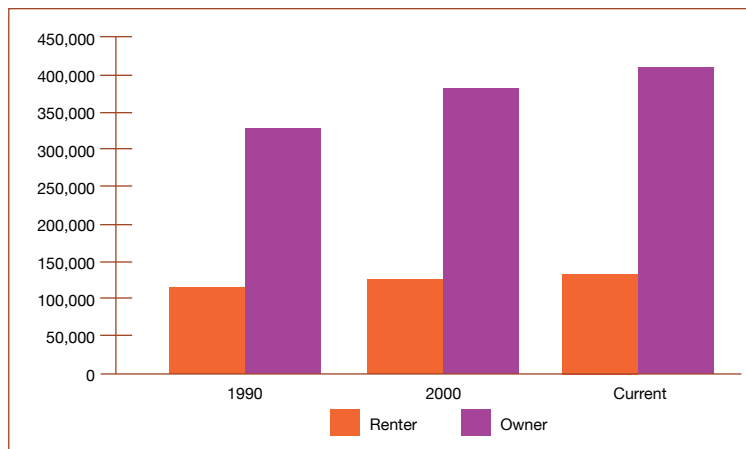
Sales Market—Bucks and Montgomery Counties Submarket

The sales housing market in the Bucks and Montgomery Counties submarket is currently balanced and has a vacancy rate of 1 percent. Record-high sales of 20,100 existing homes were reported during 2005. Purchasers responded to moderate increases in mortgage interest rates and higher prices in 2006, and existing sales declined by 13 percent to 17,400 homes, according to TREND MLS. After escalating 10 percent during the previous year, the average price of an existing home increased by only 4 percent during 2006.

The construction of single-family homes, as measured by the number of building permits issued, has declined during the past year. In 2006, nearly 3,400 homes were permitted, down from 4,200 in 2005, and building permit issuance slowed during the last months of the year as builders responded to changing market conditions. To acquire parcels of land large enough for subdivisions, builders have started to develop in the outlying areas of the submarket. The construction of small residential developments of fewer than 100 homes and at higher densities is still occurring in the areas of the submarket closer to the city of Philadelphia. New home prices in the submarket typically start at \$200,000 for a two-bedroom condominium, \$300,000 for a three-bedroom townhouse, and \$350,000 for a three-bedroom single-family home. Historically, nearly three-fourths of the occupied homes in the submarket have been owner occupied and, since 2000, residential construction has been predominantly for homeownership. Figure 10 shows the increase in the number of owner households in the submarket and Figure 11 provides data on single-family building permits issued in the Bucks and Montgomery Counties submarket from 1990 to 2006.

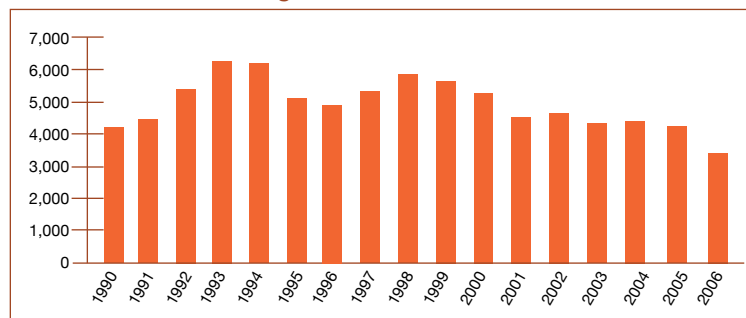
Since 2000, approximately 5,500 homes have been constructed in age-restricted developments throughout the submarket, a portion of which are not reflected in the number of building permits issued. Most of these units are single-family

Figure 10. Number of Households by Tenure in the Bucks and Montgomery Counties Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 11. Single-Family Building Permits Issued in the Bucks and Montgomery Counties Submarket, 1990 Through 2006



Notes: Includes only single-family units. Includes data through December 2006.
Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Bucks and Montgomery Counties Submarket *Continued*

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Bucks and Montgomery Counties Submarket, January 1, 2007 to January 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
350,000	389,999	1,175	10.0
390,000	449,999	1,400	12.0
450,000	479,999	2,800	23.9
480,000	549,999	2,350	20.1
550,000	579,999	820	7.0
580,000	599,999	760	6.5
600,000	649,999	700	6.0
650,000	699,999	640	5.5
700,000	799,999	410	3.5
800,000	849,999	300	2.6
850,000	899,999	180	1.5
900,000	999,999	120	1.0
1,000,000	and higher	45	0.4

Source: Estimates by analyst

homes, but approximately 2,000 units are apartment-style homes designed for independent living located in continuing care retirement communities. Purchase prices for independent-living homes range from \$200,000 to \$350,000 for a one-bedroom unit, with services provided for an additional monthly fee.

During the forecast period, demand for new homes will be below the level of the past few years. Demand for new single-family homes is forecast to be 11,700 units, with prices starting at \$350,000. Table 6 presents detailed information on estimated demand for sales housing by price range during the forecast period.

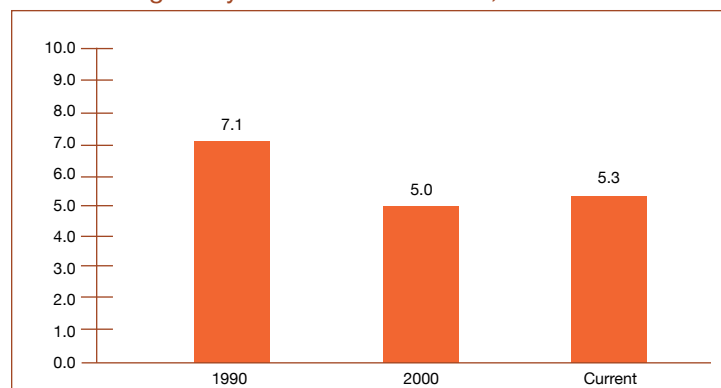
Rental Market—Bucks and Montgomery Counties Submarket

The rental housing market in the Bucks and Montgomery Counties submarket has remained balanced since 2000, when the vacancy rate was 5 percent. The addition of 2,800 units in 12 new apartment projects since 2000 has caused the vacancy rate for all rental units to rise to 5.3 percent, as shown in Figure 12. According to Delta

Associates, vacancies in large, newly constructed Class A apartment complexes with all amenities averaged 11.3 percent at the end of 2006, down from 15.2 percent 1 year ago. Concessions, such as a reduced first month's rent, in Class A complexes have shifted from the Bucks County segment of the submarket to the Montgomery County portion of the submarket, where five of the seven projects in lease-up are located. Rents averaged \$1,370 in the Bucks and Montgomery Counties submarket at the end of 2006, a 2-percent increase compared with the average rent of \$1,340 in 2005.

Approximately 85 percent of the 6,575 multifamily units permitted in the submarket since 2000 have been for rental units; the remaining 15 percent have been for age-restricted condominium units,

Figure 12. Rental Vacancy Rates in the Bucks and Montgomery Counties Submarket, 1990 to Current



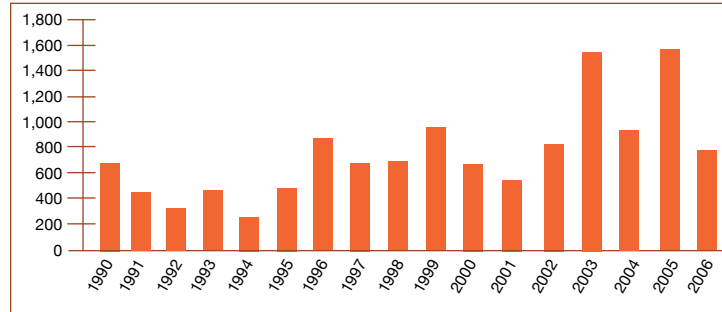
Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Housing Market Trends

Rental Market—Bucks and Montgomery Counties Submarket *Continued*

principally in Bucks County. Nearly two-thirds of the rental units were constructed in Montgomery County. See Figure 13 for information

Figure 13. Multifamily Building Permits Issued in the Bucks and Montgomery Counties Submarket, 1990 Through 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2006.

Source: U.S. Census Bureau, Building Permits Survey

on multifamily building permits issued in the submarket since 1990. During the past year, the number of multifamily units permitted has declined by 50 percent as developers have paused to allow for the absorption of units constructed during the previous 2 years.

Based on anticipated household growth and current market conditions, demand is forecast for 3,275 new rental units, including 290 units currently under construction, during the next 3 years. Table 7 provides estimated demand for rental housing by number of bedrooms and rent range during the forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Bucks and Montgomery Counties Submarket, January 1, 2007 to January 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200	1,150	1,575	1,735	1,900	390
1,250	1,000	1,625	1,450	1,950	350
1,300	930	1,675	1,325	2,000	320
1,350	840	1,725	1,175	2,050	280
1,400	730	1,775	1,025	2,100	230
1,450	620	1,825	870	2,150	200
1,500	520	1,875	730	2,200	180
1,600	410	1,975	590	2,300	130
1,700	330	2,075	380	2,400	95
1,800	260	2,175	260	2,500	65
1,900	200	2,275	170	2,600	55
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

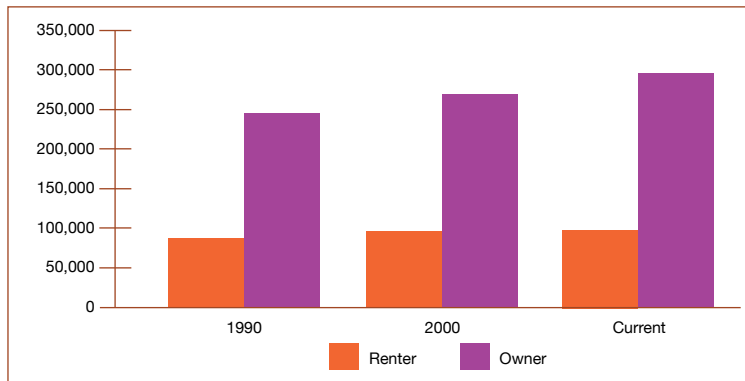
Source: Estimates by analyst

Sales Market—Chester and Delaware Counties Submarket

The sales housing vacancy rate in the Chester and Delaware Counties submarket is 1.2 percent currently, and the market is balanced. According to TREND MLS, after record-high sales of 15,000 homes in 2004, sales declined by 3 percent in 2005 and continued to decline another 6 percent through 2006, when 13,775 homes were sold. After rising by almost 10 percent in 2005, the average sales price of an existing home increased by less than 3 percent in 2006.

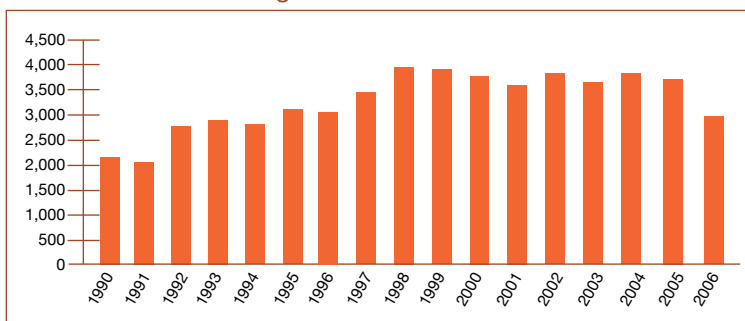
The construction of single-family homes, as measured by the number of building permits issued, declined in 2006, when approximately 3,000 building permits were issued for new homes, down from 3,650 in 2005. Builders responded to diminished demand from purchasers concerned about moderate increases in mortgage interest rates and higher prices. Chester County has accounted for 75 percent of all new single-family construction in the submarket since 2000. The formerly agricultural-based county has more available land to accommodate new development. Construction in the older suburban areas of Delaware County is limited, and most of the new construction is in the southern portion of the county adjacent to Delaware. New home prices in the submarket typically start at \$250,000 for a two-bedroom condominium and \$350,000 for a three-bedroom single-family home. In 2000, owner-occupied homes accounted for 73 percent of all occupied homes in the submarket. More recently, single-family homes have accounted for almost all of the new construction, raising the homeownership rate to 75 percent. Figure 14 shows the increase in the number of owner-occupied households in the submarket and Figure 15 provides data on single-family building permits issued in the Chester and Delaware Counties submarket from 1990 to 2006.

Figure 14. Number of Households by Tenure in the Chester and Delaware Counties Submarket, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 15. Single-Family Building Permits Issued in the Chester and Delaware Counties Submarket, 1990 Through 2006



Notes: Includes only single-family units. Includes data through December 2006.
Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Sales Market—Chester and Delaware Counties Submarket *Continued*

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Chester and Delaware Counties Submarket, January 1, 2007 to January 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
250,000	289,999	1,100	10.0
290,000	319,999	1,330	12.0
320,000	349,999	2,650	24.0
350,000	399,999	2,200	19.9
400,000	424,999	770	7.0
425,000	474,999	720	6.5
475,000	499,999	660	6.0
500,000	549,999	610	5.5
550,000	599,999	390	3.5
600,000	699,999	280	2.5
700,000	849,999	170	1.5
850,000	999,999	110	1.0
1,000,000	and higher	60	0.5

Source: Estimates by analyst

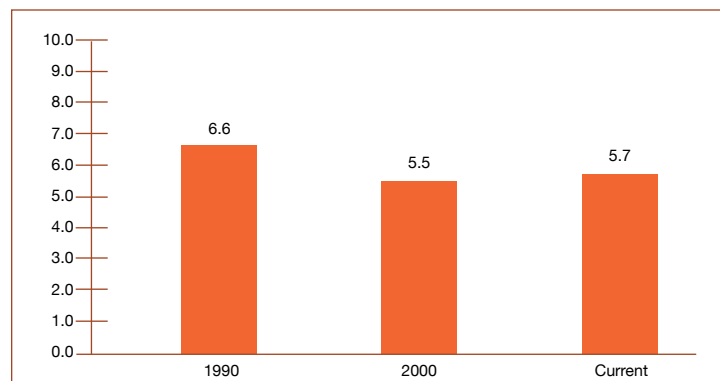
During the forecast period, demand for new homes will return to the levels of 2004 and 2005, or an estimated 11,050 homes during the next 3 years, with prices starting at \$250,000. The availability of land, particularly in Chester County, will facilitate new construction in this submarket. Table 8 presents detailed information on demand for sales housing by price range during the forecast period.

Rental Market—Chester and Delaware Counties Submarket

The rental housing market remains balanced with a vacancy rate of 5.7 percent, up only 0.2 percent from the rate in 2000, as shown in Figure 16. According to Delta Associates, the vacancy rate for Class

A apartment properties in Chester County was 6.0 percent at the end of 2006, down from 7.0 percent in 2005. Currently, only one new market-rate project is in lease-up in the county and concessions are down from more than 3 percent in 2005 to less than 2 percent. Between 2005 and 2006, average rents remained relatively stable at \$1,294.

Figure 16. Rental Vacancy Rates in the Chester and Delaware Counties Submarket, 1990 to Current



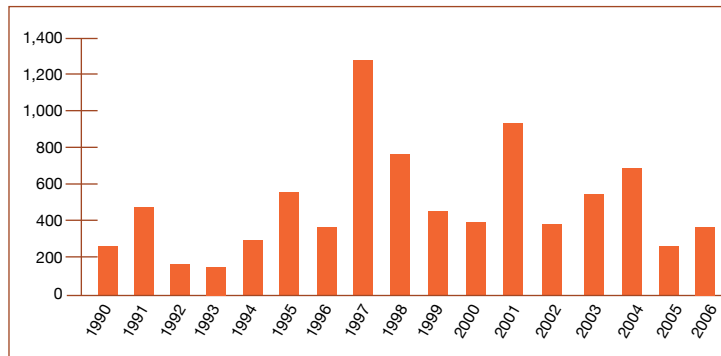
Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Approximately 3,500 multifamily units were permitted in the Chester and Delaware Counties submarket since 2000. Slightly more than 75 percent of the permits have been issued for 2,650 units in 13 new rental complexes. All but one of the properties are located in Chester County. See Figure 17 for information on multifamily building permits issued in the submarket since 1990.

Housing Market Trends

Rental Market—Chester and Delaware Counties Submarket *Continued*

Figure 17. Multifamily Building Permits Issued in the Chester and Delaware Counties Submarket, 1990 Through 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through December 2006.

Source: U.S. Census Bureau, Building Permits Survey

Based on anticipated household growth and current market conditions, a demand for 1,650 new rental units is estimated during the forecast period, including 140 units currently under construction. Table 9 provides estimated rental demand by number of bedrooms and rent range.

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Chester and Delaware Counties Submarket, January 1, 2007 to January 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,100	495	1,350	990	1,650	165
1,150	440	1,400	820	1,700	150
1,200	400	1,450	750	1,750	130
1,250	360	1,500	670	1,800	120
1,300	320	1,550	580	1,850	100
1,350	270	1,600	500	1,900	80
1,400	220	1,650	420	1,950	70
1,500	180	1,750	340	2,050	50
1,600	140	1,850	220	2,150	40
1,700	110	1,950	150	2,250	30
1,800	90	2,050	100	2,350	20
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Table DP-1. Philadelphia HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	1,775,502	1,808,376	1,853,726	0.2	0.4
Unemployment Rate (%)	4.8	4.1	4.6		
Nonfarm Employment	1,756,400	1,894,300	1,904,700	0.8	0.1
Total Population	3,728,909	3,849,647	3,919,000	0.3	0.3
Total Households	1,383,208	1,459,119	1,501,200	0.5	0.4
Owner Households	947,670	997,883	1,042,900	0.5	0.7
Percent Owner (%)	68.5	68.4	69.5		
Renter Households	435,538	461,236	458,300	0.6	-0.1
Percent Renter (%)	31.5	31.6	30.5		
Total Housing Units	1,491,310	1,565,641	1,617,332	0.5	0.5
Owner Vacancy Rate (%)	1.8	1.3	1.4		
Rental Vacancy Rate (%)	8.4	6.2	6.4		
Median Family Income	NA	NA	NA		

Note: NA = data not available.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP-2. City of Philadelphia Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	1,585,577	1,517,550	1,471,500	-0.4	-0.5
Total Households	603,075	590,071	578,700	-0.2	-0.3
Owner Households	373,601	349,633	343,800	-0.7	-0.2
Percent Owner (%)	61.9	59.3	59.4		
Rental Households	229,474	240,438	234,900	0.5	-0.3
Percent Renter (%)	38.1	40.7	40.6		
Total Housing Units	674,899	661,958	656,341	-0.2	-0.1
Owner Vacancy Rate (%)	2.2	1.9	2.0		
Rental Vacancy Rate (%)	9.7	7.0	7.2		
Median Family Income	\$30,140	\$37,036	NA	2.1	

Notes: Median family incomes are for 1989, 1999, and 2006. NA = data not available.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP-3. Bucks and Montgomery Counties Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	1,219,285	1,347,732	1,412,500	1.0	0.7
Total Households	445,502	504,823	535,100	1.3	0.9
Owner Households	328,455	379,438	408,300	1.5	1.1
Percent Owner (%)	73.7	75.2	76.3		
Rental Households	117,047	125,385	126,800	0.7	0.2
Percent Renter (%)	26.3	24.8	23.7		
Total Housing Units	465,790	522,932	555,271	1.2	0.9
Owner Vacancy Rate (%)	1.5	0.9	1.0		
Rental Vacancy Rate (%)	7.1	5.0	5.3		
Median Family Income	NA	NA	NA		

Note: NA = data are not available.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Table DP-4. Chester and Delaware Counties Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Population	924,047	984,365	1,035,000	0.6	0.7
Total Households	334,631	364,225	387,400	0.9	0.9
Owner Households	245,614	268,812	290,800	0.9	1.2
Percent Owner (%)	73.4	73.8	75.1		
Rental Households	89,017	95,413	96,600	0.7	0.2
Percent Renter (%)	26.6	26.2	24.9		
Total Housing Units	350,621	380,751	405,720	0.8	0.9
Owner Vacancy Rate (%)	1.5	1.2	1.2		
Rental Vacancy Rate (%)	6.6	5.5	5.7		
Median Family Income	NA	NA	NA		

Note: NA = data are not available.

Sources: Estimates by analyst; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2007—Analyst's estimates

Forecast period: 1/1/2007–1/1/2010—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_PhiladelphiaPA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.