

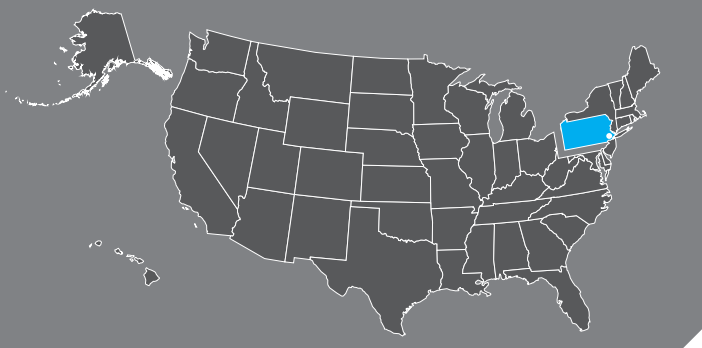
HUD PD&R Housing Market Profiles

Philadelphia, Pennsylvania



Quick Facts About Philadelphia

- Current sales market conditions: slightly tight.
- Current apartment market conditions: balanced.
- In 2015, the city of Philadelphia became the first in the United States to be designated as a World Heritage City by the Organization of World Heritage Cities. The designation recognizes Independence Hall, the site of the signings of the Declaration of Independence and the U.S. Constitution, and the efforts made to preserve the residential character of the historic neighborhoods in the city.



By Benjamin Houck | As of December 1, 2016

Overview

The Philadelphia, PA Metropolitan Division (hereafter, the Philadelphia metropolitan division) includes Delaware and Philadelphia Counties in southeastern Pennsylvania. The city of Philadelphia (coterminous with Philadelphia County) was the fifth most populous city in the United States as of July 2015 (Census Bureau population estimates as of July 1). The Philadelphia metropolitan division is home to 30 public and private colleges and universities with a combined enrollment of 157,700 undergraduate and graduate students as of the fall 2015 semester (National Center for Education Statistics). One of several generators of economic growth in the metropolitan division is The Navy Yard. Once a naval repair facility until it closed in 1996, The Navy Yard is now home to 145 companies employing more than 11,500 employees (PIDC). WuXi AppTec, a medical research company, opened its third production facility at The Navy Yard in October 2016, adding 200 jobs to the manufacturing sector.

- As of December 1, 2016, the estimated population of the Philadelphia metropolitan division is 2.14 million. Since July 2012, the population has increased by an average of 7,100, or 0.3 percent, annually. By comparison, growth averaged 13,850, or 0.7 percent, annually from July 2008 to July 2012.

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- From July 2008 to July 2012, net in-migration was relatively strong, at 3,825 people annually, in part because the economy of the Philadelphia metropolitan division performed better relative to the other metropolitan divisions that make up the greater Philadelphia, PA Metropolitan Statistical Area, losing fewer jobs during the economic downturn from 2008 through 2010 and recovering more quickly in the years after.
- Migration since July 2012, however, averaged an annual net out-flow of 1,975 people. This net out-migration was caused, in part,

by a decline in the number of students enrolled at 15 of the 30 colleges and universities in the Philadelphia metropolitan division because of improving job opportunities and rising tuition costs. In addition, job growth in the Baltimore, New York, and Washington, D.C. metropolitan areas has outpaced the expansion in the Philadelphia metropolitan division in recent years, drawing college graduates and job seekers to those faster-growing metropolitan areas along the Interstate 95 corridor.

Economic Conditions

The economy of the Philadelphia metropolitan division has been expanding since 2010, and economic growth gained momentum during the past 3 years. After declining in 2009, nonfarm payrolls increased by an average of 4,825 jobs, or 0.5 percent, annually, from 2010 through 2013. By the end of 2013, nonfarm payrolls were slightly above the most recent peak in 2008. Job growth more than doubled during 2014 and 2015, to an average annual gain of 12,050 jobs, or 1.3 percent, partially because of the start of construction in 2014 on several major institutional and commercial projects. Job growth continued during the past year with increases in most sectors of the economy.

During the 3 months ending November 2016—

- Nonfarm payrolls averaged 944,100, an increase of 16,100 jobs, or 1.7 percent, from a year earlier. Nearly one-half of the growth was in the education and health services sector, which, at 30 percent of total nonfarm payrolls, is the largest sector in the Philadelphia metropolitan division.
- The greatest percentage gain was in the leisure and hospitality sector, which increased by 4,800 jobs, or 5.3 percent. Sugar-House HSP Gaming completed a \$164 million expansion of its casino in the city of Philadelphia in December 2015, adding 500 jobs to the sector. Nearly 1,700 hotel rooms are currently under construction in Center City Philadelphia, representing a

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Jobs in the Philadelphia division increased in most sectors during the past 12 months.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	928.0	944.1	16.1	1.7
Goods-producing sectors	58.5	57.9	-0.6	-1.0
Mining, logging, and construction	23.2	23.6	0.4	1.7
Manufacturing	35.4	34.3	-1.1	-3.1
Service-providing sectors	869.5	886.2	16.7	1.9
Wholesale and retail trade	100.7	101.9	1.2	1.2
Transportation and utilities	36.4	37.6	1.2	3.3
Information	14.7	14.3	-0.4	-2.7
Financial activities	58.5	59.6	1.1	1.9
Professional and business services	123.4	124.5	1.1	0.9
Education and health services	278.7	286.6	7.9	2.8
Leisure and hospitality	90.2	95.0	4.8	5.3
Other services	39.1	39.3	0.2	0.5
Government	127.8	127.5	-0.3	-0.2
	(percent)	(percent)		
Unemployment rate	5.5	6.2		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

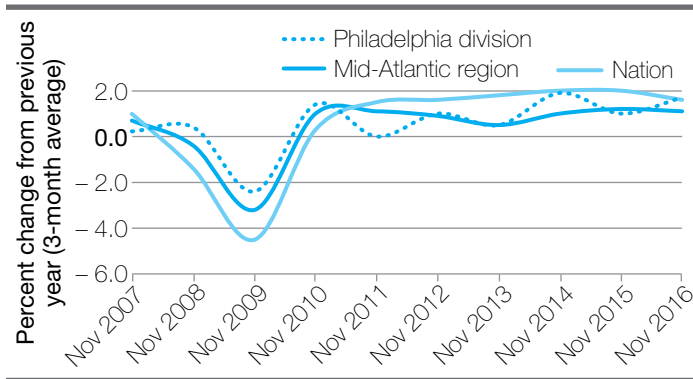


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15-percent addition to the current inventory of hotel rooms (Visit Philadelphia®) and contributing to further job gains in the sector when all are complete by the end of 2018.

- The wholesale and retail trade sector increased by 1,200 jobs, or 1.2 percent. Plaza Allegheny and The Shoppes at Brookhaven, both retail centers, opened in late 2016, adding a combined 380 jobs to the sector. The ongoing renovation and repositioning of The Gallery at Market East into Fashion Outlets Philadelphia is anticipated to add 1,000 jobs to the wholesale and retail trade sector when complete in 2018.
- Overall job gains were slightly offset by losses in three sectors, the greatest of which was in the manufacturing sector, which declined by 1,100 jobs, or 3.1 percent. CARDONE Industries, a remanufacturer of automobile parts with headquarters and production facilities in the city of Philadelphia, began a downsizing of its workforce in mid-2016, resulting in a loss of nearly 1,400 jobs in the manufacturing sector through mid-2018.

Nonfarm payroll growth in the Philadelphia division accelerated in the past year, while regional and national growth slowed.



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

- The unemployment rate in the Philadelphia metropolitan division has declined from a peak of 10.0 percent in 2012 because of strong job growth. The rate rose during the past year, however, from 5.5 to 6.2 percent, because labor force growth outpaced an increase in resident employment.

In 2014, construction began on several major commercial and institutional developments in the Philadelphia metropolitan division. Construction of the \$35 million School of Business building at La Salle University, which opened in January 2016, and the \$125 million Museum of the American Revolution, which is expected to open in April 2017, supported a combined 1,200 jobs in the mining, logging, and construction sector. The development with the greatest effect, however, is the ongoing construction of the \$1.5 billion Comcast Innovation and Technology Center, a 60-story tower that broke ground in 2014 in Center City Philadelphia. When complete in early 2018, the building will add more than 1.3 million square feet of office space for employees of Comcast Corporation, which is currently the fifth largest employer in the metropolitan division. Construction of the project has created an estimated 6,300 jobs in the city of Philadelphia, mostly in the mining, logging, and construction sector (Econsult Solutions, Inc.). The mining, logging, and construction sector added only 400 jobs during the past year, however, down from a gain of 700 jobs during the 3 months ending November 2015, in part because of a slowdown in multifamily construction activity.

Largest employers in the Philadelphia division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Jefferson Health System, Inc.	Education and health services	18,740
University of Pennsylvania	Education and health services	16,160
University of Pennsylvania Health System	Education and health services	14,941

Notes: Excludes local school districts. Employees as of 2014.
Source: Select Greater Philadelphia Council

Sales Market Conditions

The sales housing market in the Philadelphia metropolitan division is currently slightly tight, with an estimated vacancy rate of 1.3 percent, down from 2.0 percent in April 2010, when the sales market was soft. Existing home sales have been increasing since early 2012. The pace slowed during 2014, however, as banks and homebuyers adjusted to new federal mortgage lending standards. In addition, a rapid rise in sales of foreclosed homes from 2012 through 2014 crowded out regular sales of existing homes. During 2014, 6,125 foreclosed homes sold in the metropolitan division, nearly double the 3,125 foreclosed homes sold in 2011 (Metrostudy, A Hanley

Wood Company). Because the percentage of seriously delinquent home loans (those 90 or more days delinquent or in foreclosure) in the Philadelphia metropolitan division is higher than statewide and national rates, foreclosures remain a persistent part of the sales market. The 6,150 foreclosed homes sold during the past year was slightly more than the total sold in 2014 (Metrostudy, A Hanley Wood Company). As of October 2016, 4.9 percent of home loans were 90 or more days delinquent, were in foreclosure, or had transitioned into real estate owned (REO) status, down from 6.0 percent in October 2015 (CoreLogic, Inc.).

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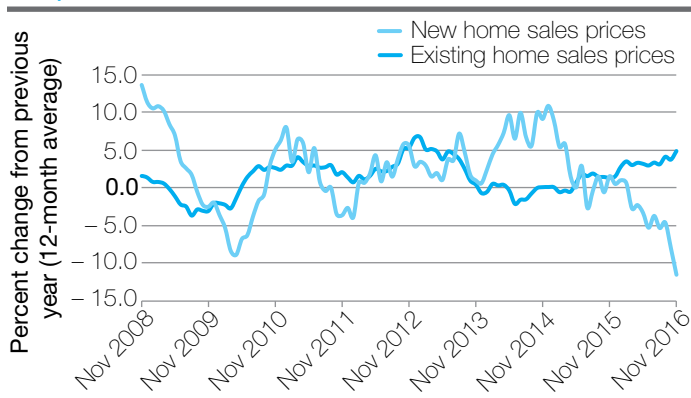


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During the 12 months ending November 2016—

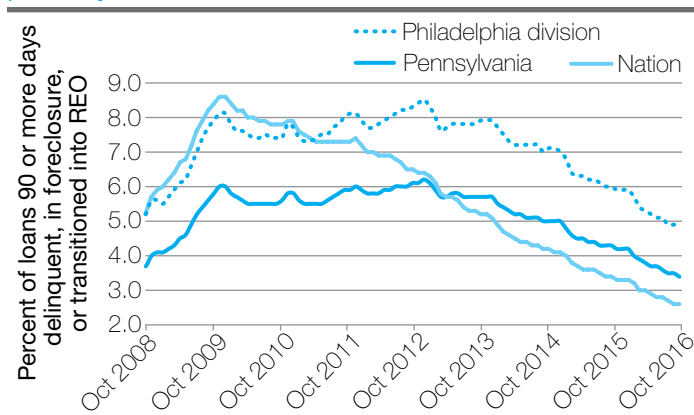
- Sales of existing single-family homes and condominiums totaled 25,500, up 6 percent from the number sold during the previous 12 months and the most existing homes sold in a 12-month period since 2007 (Metrostudy, A Hanley Wood Company). Sales of new homes totaled 840, down 12 percent from the number sold during the previous 12 months.
- Sales prices for existing homes averaged \$218,800, up 5 percent from the average during the previous 12 months. Prices varied significantly throughout the Philadelphia metropolitan division, from more than \$900,000 in the Villanova postal service area

The average existing home sales price in the Philadelphia division was up 5 percent during the 12 months ending November 2016. The average new home sales price was down from a peak average during the previous 12 months.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

The percentage of seriously delinquent home loans and REO properties has been higher in the Philadelphia division than the state and national rates for the past 5 years.



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

and in areas of Center City Philadelphia to less than \$60,000 in the Chester City postal service area and in the north and southwest portions of the city of Philadelphia.

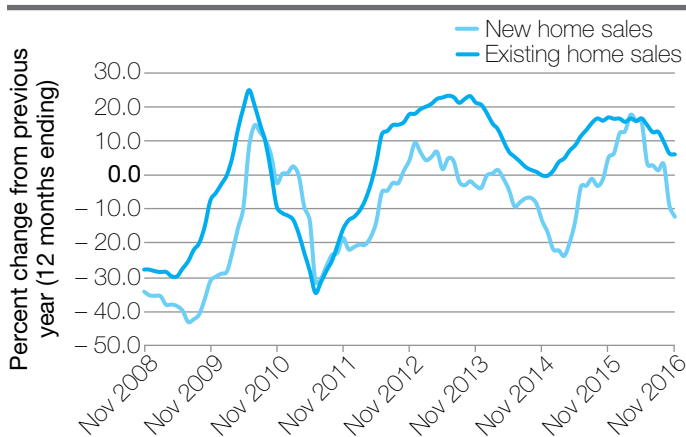
- Sales prices for new homes averaged \$489,300, down 12 percent from the average during the previous 12 months. The average of \$553,400 during the 12 months ending November 2015, however, was the highest average new home sales price ever recorded in the metropolitan division.

Single-family construction activity, as measured by the number of single-family homes permitted, has been increasing in the Philadelphia metropolitan division since 2012. The number of homes permitted during 2015 was the highest annual total since 2006.

- During the 12 months ending November 2016, 1,200 single-family homes were permitted in the metropolitan division, up 4 percent from the 1,150 homes permitted during the previous 12 months (preliminary data).

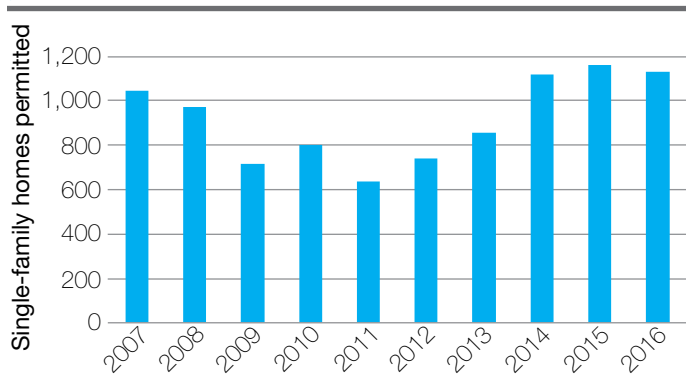
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Sales of existing homes in the Philadelphia division have been increasing since early 2012, but the level of new home sales has varied.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

The number of single-family homes permitted in the Philadelphia division in 2015 was the most in any year since 2006.



Note: Includes preliminary data from January 2016 through November 2016. Source: U.S. Census Bureau, Building Permits Survey



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- Homebuilding activity declined an average of 12 percent annually from 1,050 homes in 2007 to 640 homes in 2011. Thereafter, construction activity rose an average of 16 percent annually from 2012 through 2015, to 1,175 homes.
- Homebuilding activity increased significantly in recent years in portions of western Delaware County. In Newtown Township, 140 single-family homes were permitted in both 2014 and 2015

compared with an average of 10 homes permitted annually from 2007 through 2011. Homes currently under way in Newtown Township include 40 two-bedroom carriage homes at Dunwoody Village, a continuing-care retirement community, starting at \$172,000, of which 25 have been built and occupied since the first quarter of 2016 (Metrostudy, A Hanley Wood Company).

Apartment Market Conditions

The apartment market in the Philadelphia metropolitan division is currently balanced. Market conditions have improved from 2013, when the vacancy rate was nearly 6.0 percent. The acceleration of job growth in 2014 contributed to strong absorption that kept pace with a ramp up in apartment construction activity. The vacancy rate has been less than 5.0 percent since the second quarter of 2014.

During the third quarter of 2016—

- The apartment vacancy rate was 4.9 percent, up from 4.3 percent during the third quarter of 2015 (Axiometrics, Inc.). The increase during the past year resulted, in part, from new supply. The 2,350 apartments completed in the metropolitan division in the 12 months ending November 2016 were the most units delivered since 2005.
- The average asking rent was \$1,520, up 1 percent from the average a year earlier. This growth was equal to the year-over-year increase during the third quarters of 2014 and 2015 but was down from an increase of 2 percent during the second quarter of 2016.
- The apartment vacancy rate in the Axiometrics, Inc.-defined Center City market area was 5.0 percent, unchanged from a year earlier, and the asking rent was up more than 1 percent, to

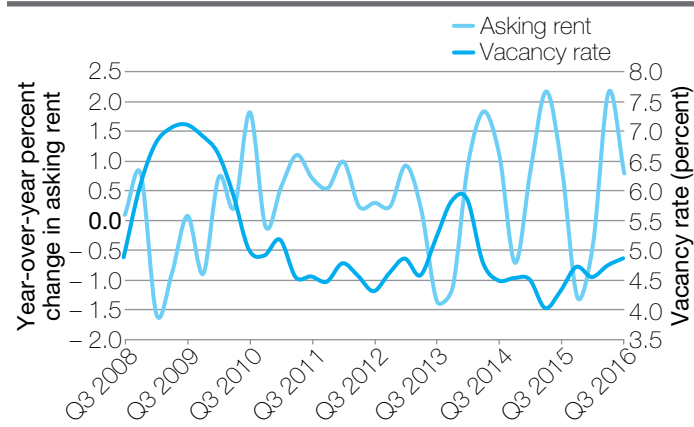
\$2,218. The Center City area accounted for one-third of apartments absorbed during the past year throughout the 14 market areas in the Philadelphia metropolitan division.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased rapidly from 1,100 units in 2011 to nearly 3,300 units in 2014. Although multifamily development slowed in 2015, the annual sum, at 2,850 units, remained much higher than production levels that are typical in the Philadelphia metropolitan division.

- During the 12 months ending November 2016, 2,175 multifamily units were permitted, down from 3,050 units permitted during the previous 12 months (preliminary data).
- The number of multifamily units permitted averaged 1,900 each year from 2004 through 2008, then declined to an average of 640 units annually from 2009 through 2010 because of deteriorating economic conditions. Multifamily construction activity subsequently rose an average of 50 percent annually from 2011 through 2014 because of heightened apartment construction activity. Whereas 35 percent of units permitted from 2004 through 2008 were condominiums, less than 10 percent of multifamily units permitted since 2011 were built for sale.

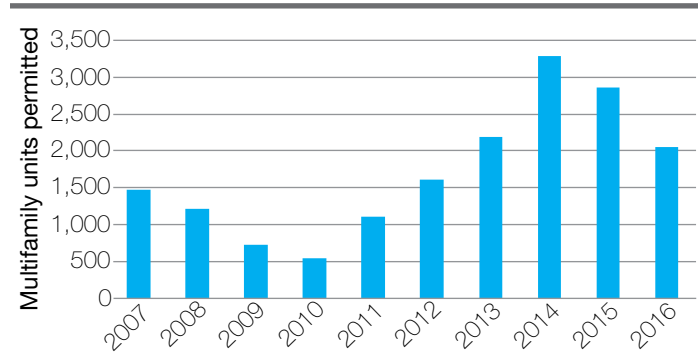
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Apartment market conditions in the Philadelphia division have improved since 2013. The vacancy rate rose in the past year because of new supply.



Q3 = third quarter.
Source: Axiometrics, Inc.

Multifamily construction activity increased rapidly in the Philadelphia division from 2011 through 2014 but has since slowed.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey



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- In addition to newly constructed units, the conversion of non-residential structures has added an average of 450 units to the apartment inventory annually since 2011. The restoration of The Divine Lorraine Hotel in the city of Philadelphia began in September 2015 and is expected to be complete in early 2017. Rents for the 109 one- and two-bedroom units start at \$1,325 and \$2,540, respectively.
- Several developments currently under way in Center City Philadelphia will each add more than 300 apartments by the end of 2017. The largest of the incoming apartment complexes, Hanover North Broad, will have 322 one-, two-, and three-bedroom apartments with rents starting at \$2,250, \$3,075, and \$4,000, respectively.
- Construction of 251 apartment units at Madison at Ellis Preserve in Delaware County is expected to begin in early 2017 and to be completed in 2018.

