

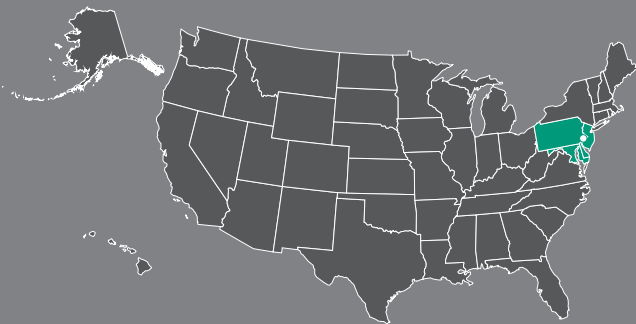
HUD PD&R Housing Market Profiles

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



Quick Facts About Philadelphia-Camden-Wilmington

- **Current sales market conditions: balanced**
- **Current apartment market conditions: balanced**
- **Seven of the 10 largest employers in the metropolitan area are in the education and health services sector, the largest of which is the University of Pennsylvania and Penn Medicine with 40,700 employees.**



By Joseph Shinn | As of June 1, 2019

Overview

The Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (hereafter, Philadelphia metropolitan area) is made up of 11 counties in Pennsylvania, New Jersey, Delaware, and Maryland. The metropolitan area includes four metropolitan divisions—Philadelphia, PA (which also includes Delaware County); Montgomery County-Bucks County-Chester County, PA; Camden, NJ (which includes Burlington, Camden, and Gloucester Counties); and Wilmington, DE-MD-NJ (which includes Cecil County in Maryland, New Castle County in Delaware, and Salem County in New Jersey). The education and health services sector is the largest sector in the metropolitan area with approximately 23 percent of all nonfarm payrolls. The sector has also led job growth since 2011, accounting for nearly 44 percent of all net payroll gains during the period. Nonfarm payrolls during the past 9 years, however, have increased at the fastest paces in the leisure and hospitality sector and the transportation and utilities sector, which increased an average of 2.5 and 2.4 percent annually, respectively.

- As of June 1, 2019, the estimated population of the Philadelphia metropolitan area is 6.11 million, representing an average increase of 13,700, or 0.2 percent, annually since 2016 (U.S. Census Bureau population estimates as of July 1).

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By comparison, from 2012 to 2016, the population increased by an average of 12,750, or 0.2 percent, annually.

- Since 2016, net in-migration has occurred each year, averaging 2,600 people annually. By comparison, net out-migration occurred from 2012 to 2016 at an average pace of 5,225 residents annually.

- Net in-migration since 2016 has been concentrated in the Pennsylvania portions of the metropolitan area. From 2016 to 2018, net in-migration into this part of the metropolitan area averaged 4,250 people annually compared with net out-migration from the remaining portions of the area that averaged 1,275 people annually.

Economic Conditions

Economic conditions in the Philadelphia metropolitan area improved during the past several years, including accelerated job growth more recently. Since the 12 months ending May 2015, nonfarm payrolls in the metropolitan area have increased by an average of 40,200 jobs, or 1.4 percent, annually. By comparison, nonfarm payrolls increased by an average of 15,100 jobs, or 0.6 percent, annually during corresponding periods from 2011 through 2014.

During the 3 months ending May 2019—

- Nonfarm payrolls averaged nearly 2.97 million, representing an increase of 36,700 jobs, or 1.3 percent, from a year earlier. By comparison, nonfarm payrolls increased by 31,400 jobs, or 1.3 percent, during the 3 months ending May 2018 compared with the previous year.
- Job gains were largest in the education and health services sector, which increased by 14,800 jobs, or 2.3 percent. Employment at the University of Pennsylvania and Penn

Medicine expanded by approximately 1,675 employees during the past year (*Philadelphia Business Journal, Book of Lists*).

- Job growth also occurred in the professional and business services; mining, logging, and construction; and leisure and hospitality sectors, which were up by 6,300, 6,200, and 5,800 jobs, or 1.4, 5.3, and 2.2 percent, respectively. Future growth is expected in these sectors because Live! Hotel and Casino Philadelphia is expected to begin construction in 2019 and open by the end of 2020. Approximately 3,000 construction jobs are expected to be created during the buildout with an additional 2,000 new jobs in the leisure and hospitality sector expected once the hotel and casino open.
- The unemployment rate averaged 3.5 percent, down from the 4.1-percent rate during the same period a year earlier and compared with an average of 8.3 percent during corresponding periods from 2009 through 2012.

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Nonfarm payrolls increased in 8 of 11 sectors in the Philadelphia metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	May 2018 (Thousands)	May 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,931.6	2,968.3	36.7	1.3
Goods-Producing Sectors	296.9	304.1	7.2	2.4
Mining, Logging, & Construction	116.3	122.5	6.2	5.3
Manufacturing	180.6	181.6	1.0	0.6
Service-Providing Sectors	2,634.7	2,664.2	29.5	1.1
Wholesale & Retail Trade	410.6	404.9	-5.7	-1.4
Transportation & Utilities	108.3	111.7	3.4	3.1
Information	48.5	47.9	-0.6	-1.2
Financial Activities	215.5	215.1	-0.4	-0.2
Professional & Business Services	465.0	471.3	6.3	1.4
Education & Health Services	656.9	671.7	14.8	2.3
Leisure & Hospitality	269.7	275.5	5.8	2.2
Other Services	120.6	122.5	1.9	1.6
Government	339.5	343.5	4.0	1.2
	(Percent)	(Percent)		
Unemployment Rate	4.1	3.5		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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Job growth in the metropolitan area is expected to slow during the next year because of two large-scale planned layoffs. It was recently announced that Hahnemann University Hospital, which is also the teaching hospital of Drexel University College of Medicine, is expected to close by the end of 2019. Approximately 175 Hahnemann University Hospital employees were laid off in early 2019, and an additional 2,500 workers are expected to lose their jobs by the end of 2019. An additional 1,000 jobs are expected to be lost when Philadelphia Energy Solutions closes an oil refinery in South Philadelphia by the end of summer 2019. The refinery, which is the largest oil refinery on the East Coast, is being closed because a fire and explosion significantly damaged the facility.

Largest Employers in the Philadelphia Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pennsylvania and Penn Medicine	Education & Health Services	40,700
Thomas Jefferson University and Jefferson Health	Education & Health Services	30,000
ACCU Staffing Services	Professional & Business Services	28,000

Note: Excludes local school districts.
Source: Philadelphia Business Journal

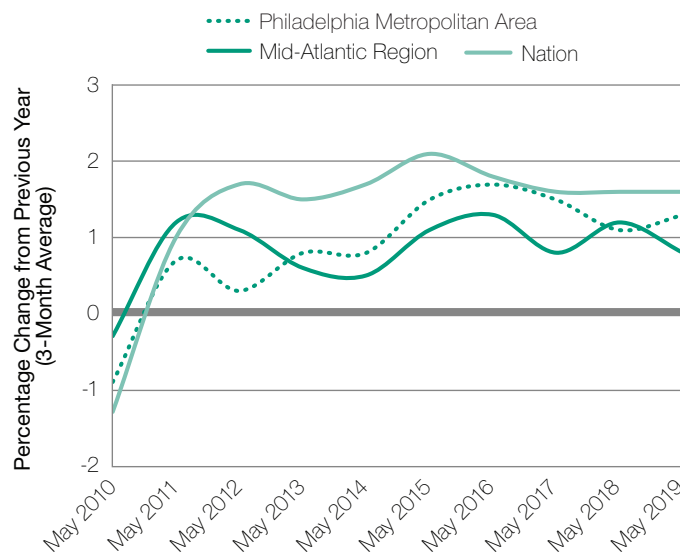
Sales Market Conditions

The sales housing market in the Philadelphia metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.5 percent, down slightly from the 1.6-percent rate in 2010. In March 2019, the metropolitan area had 4.2 months of available new and existing for-sale inventory, down slightly from 4.4 months of inventory in March 2018 and a recent peak of 12.3 months of inventory in March 2011 (CoreLogic, Inc.). Sales of both new and existing homes declined during the past year following 6 years of growth, which is partially attributed to rising interest rates during 2018. Despite the decrease in existing home sales, the average sales price of existing homes increased for the second consecutive year, which is largely attributed to real estate owned (REO) sales making up a smaller portion of all existing home sales. The average sales price of new homes also increased for the second straight year, compared with small declines in 2 of the previous 3 years. As of April 2019, 2.4 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, down from 3.1 percent in April 2018 and a recent peak of 7.9 percent in January 2013 (CoreLogic, Inc.).

During the 12 months ending March 2019—

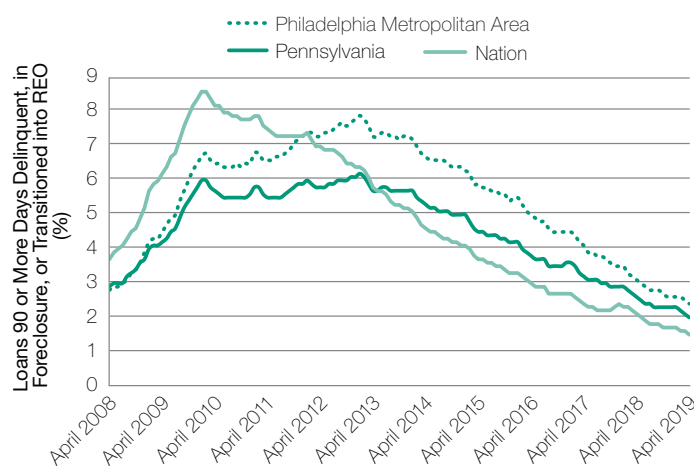
- Approximately 97,750 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, representing a decrease of 2,625 homes, or 3 percent, compared with the previous 12-month period

Job growth in the Philadelphia metropolitan area accelerated slightly during the past year.



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

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



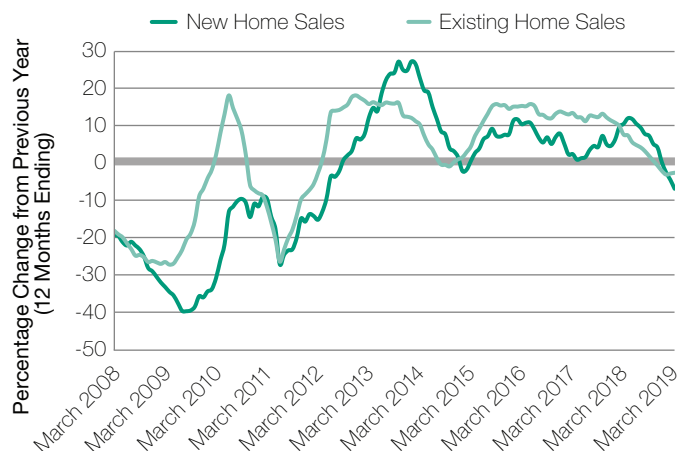
REO = real estate owned.
Source: CoreLogic, Inc.

(CoreLogic, Inc., with adjustments by the analyst). By comparison, existing home sales increased an average of 11 percent annually during corresponding periods from 2013 through 2018.

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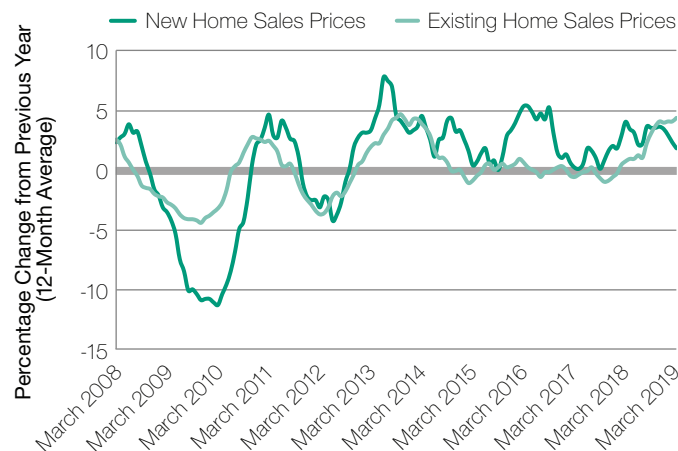
Sales of both new and existing homes decreased during the past year in the Philadelphia metropolitan area.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

The average sales price of existing homes in the Philadelphia metropolitan area increased during the past year; the average sales price of new homes also increased, but at a slightly slower pace.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.

Source: CoreLogic, Inc., with adjustments by the analyst

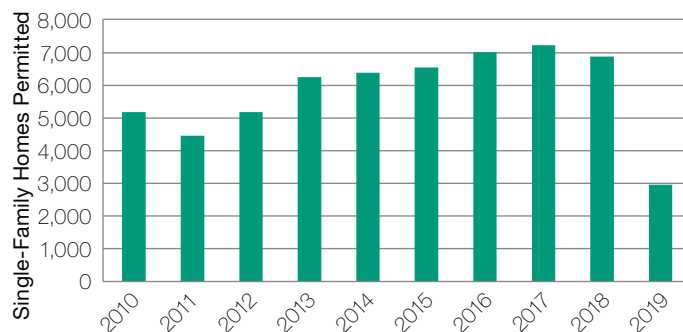
- The average sales price of existing homes increased 4 percent to \$245,600. Since the 12 months ending March 2013, the average home sales price increased an average of 1 percent annually, and the current price is at an all-time peak level in the metropolitan area.
- New home sales (including single-family homes, townhomes and condominiums) totaled approximately 5,675, representing a decrease of 410 homes, or 7 percent, compared with the 12 months ending March 2018. The current level of new home sales, however, is up 54 percent compared with the average of 3,675 homes sold annually during 2011 and 2012 during the start of the housing market recovery in the metropolitan area.
- The average sales price for new homes increased 2 percent to \$440,000. The average new home sales price increased an average of 3 percent annually since the 12 months ending March 2013, and the current price is up 19 percent from the average sales price of \$369,400 from 2009 through 2012.

Single-family construction activity, as measured by the number of single-family homes permitted, has been slightly elevated since 2013 in response to increased home sales activity. Building activity, however, is still well below levels during the early and mid-2000s, when the home sales market in the metropolitan area was strongest.

- During the 12 months ending May 2019, single-family homebuilding activity totaled approximately 7,175 homes, up 1 percent compared with the previous 12-month period (preliminary data).

- From 2013 through 2018, an average of 6,725 homes were permitted annually, up 36 percent compared with the average of 4,950 homes permitted annually from 2009 through 2012. Recent construction activity, however, is down 57 percent compared with the average of 15,500 homes permitted annually from 2000 through 2005.
- Recent homebuilding activity has been strongest in the Montgomery County-Bucks County-Chester County metropolitan division, where an average of 2,925 homes were permitted annually from 2013 through 2018, up 41 percent compared with the average of 2,075 homes permitted annually from 2009 through 2012.

Single-family permitting activity in the Philadelphia metropolitan area was slightly elevated from 2013 through 2018.



Note: Includes preliminary data from January 2019 through May 2019.

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

Apartment Market Conditions

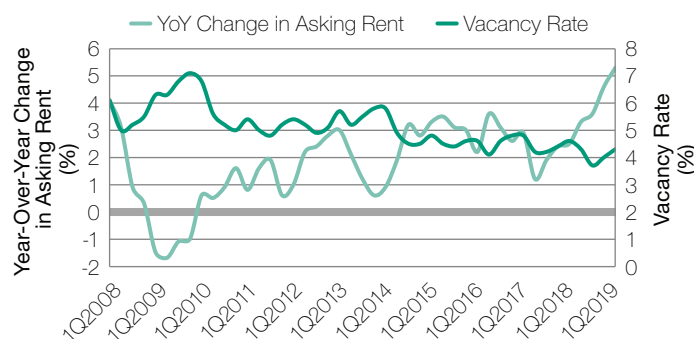
Apartment market conditions in the Philadelphia metropolitan area are currently balanced compared with slightly soft conditions in 2010. Since 2010, conditions have been brought into balance in part because more new households chose to rent rather than own in response to tighter borrowing requirements compared with the previous decade.

During the first quarter of 2019—

- The apartment vacancy rate was 4.3 percent in the metropolitan area, down from 4.6 percent during the first quarter of 2018 and 6.8 percent during the first quarter of 2010 (RealPage, Inc.).
- Vacancy rates were down in 12 of the 16 RealPage, Inc.-defined areas that make up the metropolitan area, including 1.6- and 1.5-percentage point declines in the North Montgomery County and Central Wilmington areas, respectively. In the Center City Philadelphia area, the vacancy rate decreased from 5.6 to 5.2 percent, mostly because of strong net in-migration into this part of the city.
- The average asking rent in the metropolitan area increased more than 5 percent to \$1,337 compared with a year earlier. The average rent has increased an average of 3 percent annually since the first quarter of 2013, compared with an average 1-percent increase annually in corresponding periods from 2010 through 2012.
- Average rents were up or relatively unchanged in all RealPage, Inc.-defined areas in the metropolitan area. In response to a significant number of high-rent, newly constructed apartment units coming on line, rents in the metropolitan area increased at the fastest pace in the Southwest Philadelphia area, where the average rent increased 7 percent to \$1,581. Rents were highest in the Center City Philadelphia area, at \$2,094, up 2 percent compared with the first quarter of 2018.

In response to declining vacancy rates at existing apartment communities and newly constructed apartment units being absorbed at a rapid pace, multifamily building activity, as measured by the

Since 2014, the apartment vacancy rate in the Philadelphia metropolitan area has been below 5.0 percent and rent increases have fluctuated.

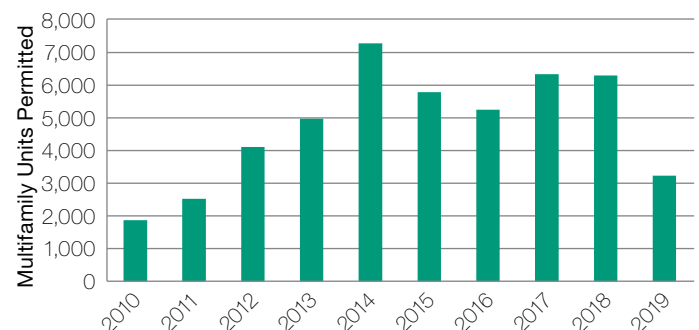


1Q = first quarter. YoY = year-over-year.
Source: RealPage, Inc.

number of multifamily units permitted, has been strong since 2014. Multifamily building activity during the 12 months ending May 2019 was 4 percent higher than the average of 5,925 units permitted annually from 1986 through 1988, which was the previous peak level of permitting. The recent uptick in construction activity has been largely concentrated in the Pennsylvania portions of the metropolitan area, where net in-migration has been concentrated.

- During the 12 months ending May 2019, multifamily building activity totaled approximately 6,975 units, up 15 percent compared with the 6,050 units permitted during the previous 12-month period (preliminary data).
- From 2014 through 2018, an average of 6,175 multifamily units were permitted annually, up 36 percent compared with the average of 4,525 units permitted annually during 2012 and 2013 and 183 percent compared with the 2,175 units permitted annually from 2009 through 2011.
- From 2014 through 2018, nearly 70 percent of all multifamily construction activity was in the Pennsylvania portions of the metropolitan area, up from 53 percent of all building activity from 2009 through 2013. In the city of Philadelphia, an average of 2,700 multifamily units were permitted annually from 2014 through 2018, more than twice the average number of units permitted annually from 2009 through 2013.
- The first phase of The Hamilton, a 576-unit planned apartment community in Center City Philadelphia, was completed in late 2018. The first phase includes 279 units with rents for efficiency, one-bedroom, and two-bedroom units starting at \$1,675, \$1,925, and \$2,400, respectively; the second phase is expected to begin construction in late 2019 and include 297 units.
- In New Jersey, recent apartment construction activity includes 240 units at Haddon Point, in Pennsauken Township, Camden County. Rents at Haddon Point, which was completed in early 2019, start at \$1,700 and \$1,875 for one- and two-bedroom units, respectively.

Multifamily permitting activity in the Philadelphia metropolitan area increased each year from 2011 through 2014 and has since remained elevated.



Note: Includes preliminary data from January 2019 through May 2019.
Source: U.S. Census Bureau, Building Permits Survey