

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 rental market conditions: tight**
- **Five of the seven largest employers in the Philadelphia metropolitan area are in the education and health services sector, including the University of Pennsylvania and Penn Medicine, the largest employer in the area, with 41,700 employees. Pennsylvania Hospital and Perelman School of Medicine at the University of Pennsylvania, the oldest hospital and medical school in the United States, respectively, are part of Penn Medicine.**

Philadelphia, Pennsylvania

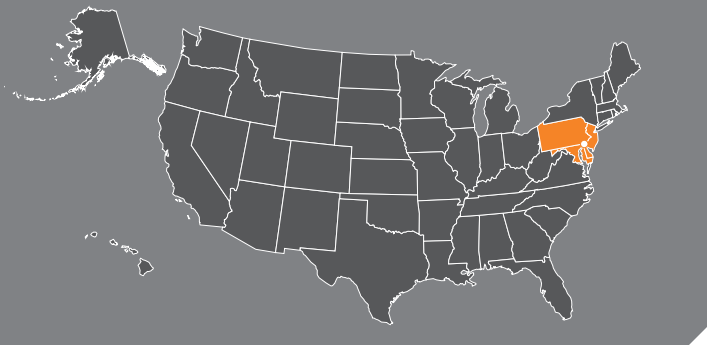
By Joseph Shinn | As of May 1, 2020

Overview

The Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (hereafter, Philadelphia metropolitan area) is made up of Delaware, Bucks, Chester, Montgomery, and Philadelphia Counties in Pennsylvania; Burlington, Camden, Gloucester, and Salem Counties in New Jersey; New Castle County in Delaware; and Cecil County in Maryland. The metropolitan area includes the city of Philadelphia, which is coterminous with Philadelphia County and is the largest city in Pennsylvania and the fifth-largest city in the United States. During the past year, nonfarm payrolls declined in 10 of 11 sectors, led by the leisure and hospitality sector.

- As of May 1, 2020, the estimated population of the Philadelphia metropolitan area is 6.11 million, representing an average increase of 11,550 people, or 0.2 percent, annually since 2016 (U.S. Census Bureau population estimates as of July 1). By comparison, from 2012 to 2016, the population increased by an average of 12,500 people, or 0.2 percent, annually.
- The recent slowdown in population growth has been due to lower levels of net natural increase (resident births minus

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resident deaths). Since 2016, net natural increase has averaged 11,400 people annually, compared with an average of 18,000 people annually from 2012 through 2016.

- In the city of Philadelphia, the population was 1.58 million as of May 1, 2020, representing an average increase of 4,100 people, or 0.3 percent, annually since 2012, compared with an average

increase of 13,000 people, or 0.9 percent, annually from 2008 to 2012. The stronger growth since 2012 was estimated to be largely in Center City Philadelphia due to the high concentration of jobs in this portion of the city as well as increasing dining and entertainment options.

Economic Conditions

As a result of stay-at-home orders issued by the states of Pennsylvania, New Jersey, Delaware, and Maryland in March 2020 in response to the COVID-19 global pandemic, nonfarm payrolls in the Philadelphia metropolitan area declined during the most recent 3-month period after 9 consecutive years of job growth. During the 3 months ending April 2020, nonfarm payrolls averaged nearly 2.82 million, representing a decrease of 138,300 jobs, or 4.7 percent, compared with the 3 months ending April 2019. By comparison, nonfarm payrolls increased by an average of 31,500 jobs, or 1.1 percent, annually in corresponding periods from 2011 through 2019.

During the 3 months ending April 2020—

- The largest decline was in the leisure and hospitality sector, which decreased by 55,600 jobs, or 20.7 percent. More than 85 percent of the decrease in the sector was in the

accommodation and food services industry, which was down by 48,200 jobs, or 22.1 percent; employment in the industry is at its lowest level in more than 15 years.

- Additional losses occurred in the wholesale and retail trade and the education and health services sectors, which were down by 22,400 and 18,600 jobs, or 5.5 and 2.8 percent, respectively. In the wholesale and retail trade sector, losses were in both the retail trade and wholesale trade subsectors, which declined by 15,200 and 7,200 jobs, or 5.3 and 6.2 percent, respectively. Visionworks and David’s Bridal temporarily laid off approximately 410 and 210 workers, respectively, at locations throughout the Philadelphia metropolitan area due to COVID-19.
- The only sector to add jobs was the government sector, which increased by 1,200 jobs, or 0.4 percent. Gains were

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Nonfarm payrolls decreased in all private sectors in the Philadelphia metropolitan area during the 3 months ending April 2020 but slightly increased in the government sector.

	3 Months Ending		Year-Over-Year Change	
	April 2019 (Thousands)	April 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,954.3	2,816.0	-138.3	-4.7
Goods-Producing Sectors	299.5	277.5	-22.0	-7.3
Mining, Logging, & Construction	116.3	99.3	-17.0	-14.6
Manufacturing	183.2	178.2	-5.0	-2.7
Service-Providing Sectors	2,654.8	2,538.6	-116.2	-4.4
Wholesale & Retail Trade	405.1	382.7	-22.4	-5.5
Transportation & Utilities	116.0	115.3	-0.7	-0.6
Information	48.6	48.4	-0.2	-0.4
Financial Activities	216.4	215.3	-1.1	-0.5
Professional & Business Services	464.7	458.6	-6.1	-1.3
Education & Health Services	672.6	654.0	-18.6	-2.8
Leisure & Hospitality	268.2	212.6	-55.6	-20.7
Other Services	121.3	108.5	-12.8	-10.6
Government	342.0	343.2	1.2	0.4
Unemployment Rate	3.8%	7.9%		

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

Source: U.S. Bureau of Labor Statistics



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concentrated in the local and state government subsectors, which increased by 1,000 and 500 jobs, or 0.4 and 0.9 percent, respectively, including more than 300 jobs added at Temple University Health System, a public health system.

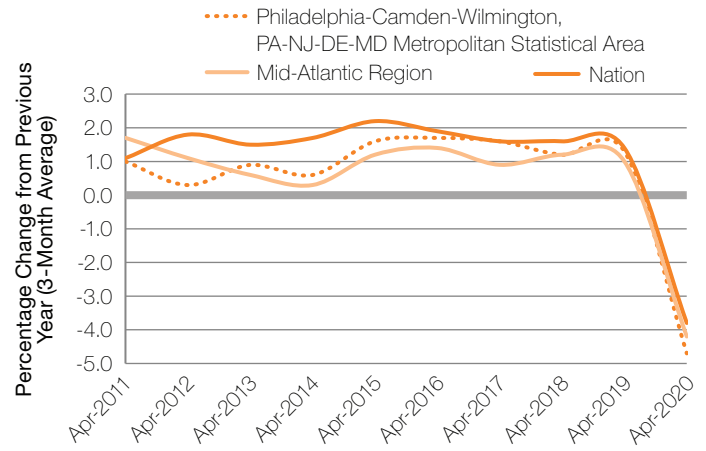
- The unemployment rate in the metropolitan area averaged 7.9 percent, up from the average 3.8-percent rate during the same period a year earlier. In the city of Philadelphia, the unemployment rate averaged 9.2 percent, up from 4.6 percent during the 3 months ending April 2019.

Prior to the recent decline, nonfarm payrolls in the metropolitan area increased at the fastest pace in the leisure and hospitality sector. From 2010 through 2019, nonfarm payrolls in the sector increased an average of 2.3 percent, or by 5,700 jobs, annually. These gains were largely attributed to increased tourism to the city of Philadelphia. In 2018, approximately 44.06 million people visited the city, representing an average increase of more than 2 percent annually since 2010 (Visit Philadelphia). By comparison, the number of visitors to the city declined an average of 2 percent annually from 2006 through 2009. Additionally, visitor spending in the city totaled \$7.6 billion in 2018, up more than 6 percent from a year earlier. Job gains in the leisure and hospitality sector since 2010 were partially attributed to growth in the casino industry. From 2010 through 2019, covered payrolls in the gambling industry increased by an average of 310 jobs, or 8.2 percent, annually. Gains in the industry included approximately 200 jobs added at Parx Casino in late 2017 when a \$50 million expansion was completed. An additional 2,000 jobs are estimated to be created in late 2020 when Live! Casino & Hotel Philadelphia is expected to open in South Philadelphia. In addition to the casino games that will be offered, there will be a sportsbook, dining and entertainment options, and more than 200 hotel rooms.

Sales Market Conditions

The sales housing market in the Philadelphia metropolitan area is currently balanced, with an estimated sales vacancy rate of 1.4 percent—down slightly from the 1.6-percent rate in 2010. Conditions, however, have tightened during the past year despite significant decreases in the number of new and existing homes sold; the number of homes for sale declined 34 percent compared with a year ago, which is partially attributed to a reluctance of homeowners to list their homes for sale during the COVID-19 pandemic. In April 2020, the metropolitan area had 2.2 months of for-sale inventory available, down from 3.1 months of inventory in April 2019 (Bright, MLS). Sales of existing homes declined during the past year after increases in each of the previous 7 years. In response to a decrease in the number of existing homes for sale, however, the average sales price of existing homes increased at the fastest pace in more than 13 years. Sales of new homes also decreased during the past year after increases during the previous

Nonfarm payrolls in the Philadelphia metropolitan area declined during the past year compared with increases during the previous 9 years.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Philadelphia Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pennsylvania and Penn Medicine	Education & Health Services	41,700
Thomas Jefferson University and Jefferson Health	Education & Health Services	30,500
ACCU Staffing Services	Professional & Business Services	27,550

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

2 years. The average sales price of new homes decreased during the past 2 years compared with increases during the previous 6 years. In February 2020, 2.1 percent of home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, down from 2.6 percent in February 2019 and a recent peak of 7.9 percent in January 2013 (CoreLogic, Inc.) The current rate in the metropolitan area is higher than the 1.3-percent nationwide rate.

During the 12 months ending April 2020—

- Approximately 80,400 existing homes (including single-family homes, townhomes, and condominiums) sold in the metropolitan area, representing a decrease of 7,125 homes, or 8 percent, compared with the previous 12-month period (Metrostudy, A Hanley Wood Company). By comparison,

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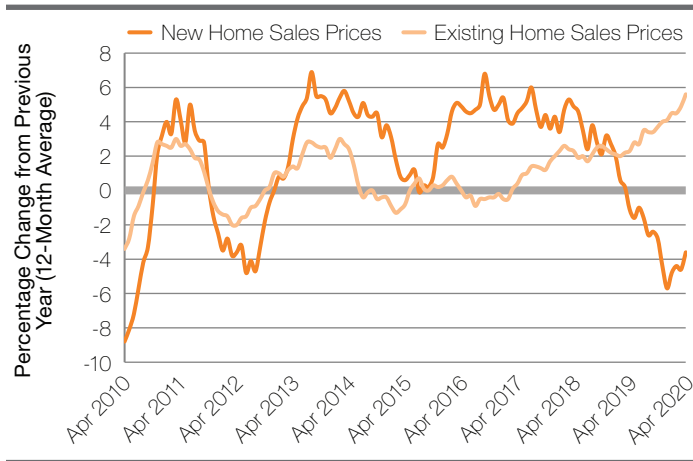


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existing homes increased an average of 10 percent annually in corresponding periods from 2013 through 2019.

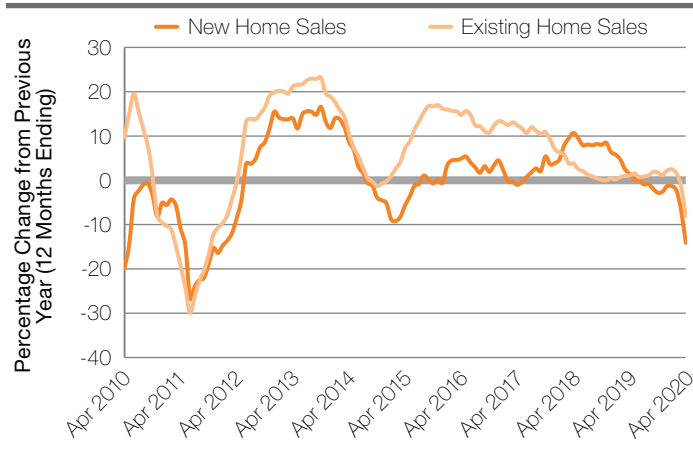
- The average sales price of existing homes increased 6 percent, to \$274,500. Since 2017, the average sales price has increased an average of 3 percent annually, and the current average price is at a peak level.
- New home sales (including single-family homes, townhomes, and condominiums) totaled approximately 5,275, representing a decrease of 860 homes, or 14 percent, compared with the

The average sales price of existing homes in the Philadelphia metropolitan area increased during the past year, but the average sales price of new homes declined.



Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

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



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

12 months ending April 2019. By comparison, new home sales increased an average of 6 percent annually in corresponding periods during 2018 and 2019.

- The average sales price of new homes decreased 4 percent, to \$462,900. The average sales price of new homes decreased an average of 2 percent annually during the past 2 years compared with an average 4-percent increase during the previous 6 years.

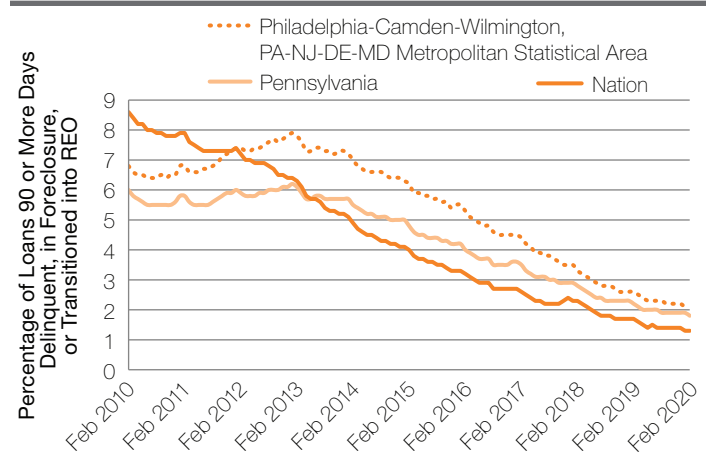
Single-family homebuilding activity, as measured by the number of single-family homes permitted, was relatively strong from 2013 through 2019. Construction activity, however, declined during the past year, with the decreases largely concentrated in the Pennsylvania suburban portions of the metropolitan area.

During the 12 months ending April 2020 (preliminary data)—

- Single-family homebuilding activity in the Philadelphia metropolitan area totaled approximately 6,800 homes permitted, down by 420 homes or 6 percent, compared with the previous 12-month period. By comparison, homebuilding activity increased an average of 6 percent annually in corresponding periods from 2013 through 2019.
- The largest decline occurred in the Montgomery County-Bucks County-Chester County metropolitan division, where homebuilding activity was down by 480 homes, or 15 percent. In the Philadelphia and Wilmington metropolitan divisions, single-family construction activity declined by 80 and 10 homes, or 8 and less than 1 percent, respectively.
- Single-family construction activity in the Camden metropolitan division was up by 150 homes, or 10 percent, to 1,600 homes

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



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

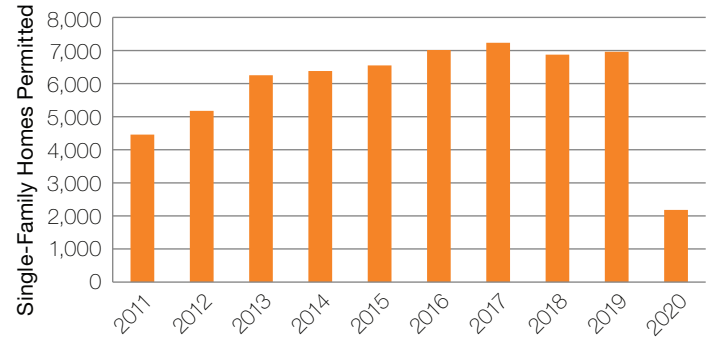


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permitted. Homebuilding activity in the metropolitan division increased an average of 6 percent annually during the past 3 years compared with an average 2-percent increase in corresponding periods from 2014 through 2017.

- Signature Place is a 158-unit townhome community that is currently under construction in the township of Mount Laurel in Burlington County, New Jersey. Approximately 30 percent of the 158 planned homes have been completed since early 2019, and an additional 25 townhomes are currently under construction; prices for these three-bedroom townhomes range from \$325,000 to \$368,500.

Single-family permitting activity in the Philadelphia metropolitan area has been slightly elevated since 2013.



Note: Includes preliminary data from January 2020 through April 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in the Philadelphia metropolitan area are currently tight compared with balanced conditions in 2010. Since 2010, conditions in the metropolitan area have tightened, in part, due to strong migration into the central portions of the city of Philadelphia, where homeownership is relatively less affordable than the other parts of the metropolitan area.

During the first quarter of 2020—

- The apartment vacancy rate was 3.7 percent, down from 4.4 percent during the first quarter of 2019 and less than the 7.3-percent rate during the first quarter of 2010 (RealPage, Inc.). Conditions were balanced or slightly tight in all 16 RealPage, Inc.-defined market areas that make up the metropolitan area, and the vacancy rate declined in 15 of these areas during the past year, led by a 1.3 percentage-point decline in the Northeast Philadelphia area.
- In the city of Philadelphia, the apartment vacancy rate was 4.2 percent, down from 4.7 percent during the first quarter of 2019 and from the 5.9-percent rate during the first quarter of 2013. Since 2010, the apartment vacancy rate in the city fluctuated between 3.8 percent and 5.9 percent as newly constructed apartment units came on line at a strong pace, but then were rapidly absorbed.
- The average asking rent in the Philadelphia metropolitan area increased 5 percent, to \$1,398, compared with the first quarter of 2019. The average asking rent increased an average of 5 percent annually during the past 2 years, compared with an average 2-percent increase in corresponding periods from 2010 through 2018.

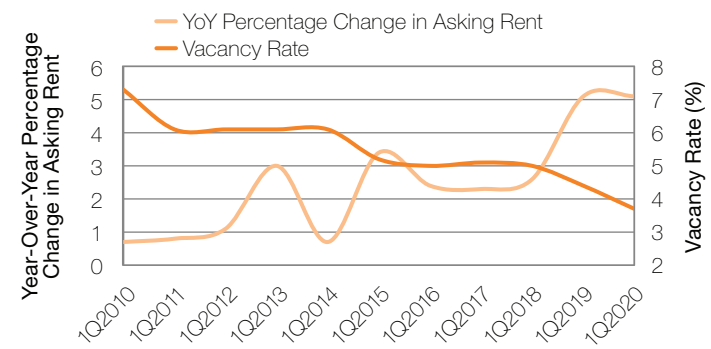
- The average asking rent in the city of Philadelphia increased 5 percent, to \$1,663. The average rent increased or was relatively unchanged in all 4 of the RealPage, Inc.-defined areas that make up the city, led by an 8-percent increase in the Center City area, where new construction activity was the strongest.

In response to tightening apartment market conditions, multifamily building activity in the metropolitan area, as measured by the number of units permitted, has been strong since 2014.

- During the 12 months ending April 2020, approximately 8,575 multifamily units were permitted, relatively unchanged compared

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Since 2010, first-quarter vacancy rates declined or were unchanged each year, while average rent increases fluctuated.



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



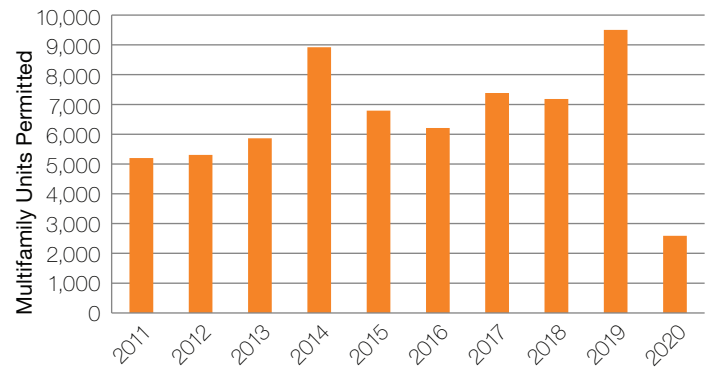
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with the 12 months ending April 2019 (preliminary data, with adjustments by the analyst).

- Since 2014, an average of 7,700 multifamily units was permitted annually. Multifamily permitting since 2014 is up 41 percent, compared with the average of 5,450 units permitted annually from 2011 through 2013, and more than double the average of 3,525 units permitted annually from 2008 through 2010.
- In the city of Philadelphia, an average of 3,675 multifamily units were permitted annually since 2014; more than one-half of these units were in the Center City neighborhood in the city of Philadelphia. Multifamily building activity in the city since 2014 is more than three times the average of 1,200 units permitted annually from 2008 through 2011.
- Since 2012, approximately 5 percent of all multifamily units permitted in the Philadelphia metropolitan area was for condominiums, down from 15 percent of units permitted from 2004 through 2011 (estimates by the analyst). The decline in condominium construction activity was especially notable in the city of Philadelphia, where the percentage of all multifamily units permitted that were for condominiums declined from 40 percent from 2004 through 2011 to 6 percent since 2012.
- Recent construction activity includes the 261-unit Residences at Bentwood, which is located in East Norriton, Montgomery

County, and was completed in mid-2019; rents for the one- and two-bedroom apartments start at \$1,325 and \$1,800, respectively. In Center City Philadelphia, the 216 units at The View at Old City were completed in early 2019; rents for the studio, one-bedroom, and two-bedroom units start at \$1,675, \$1,725, and \$2,750, respectively.

Multifamily building activity in the Philadelphia metropolitan area has been elevated since 2014.



Note: Includes preliminary data from January 2020 through April 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

