

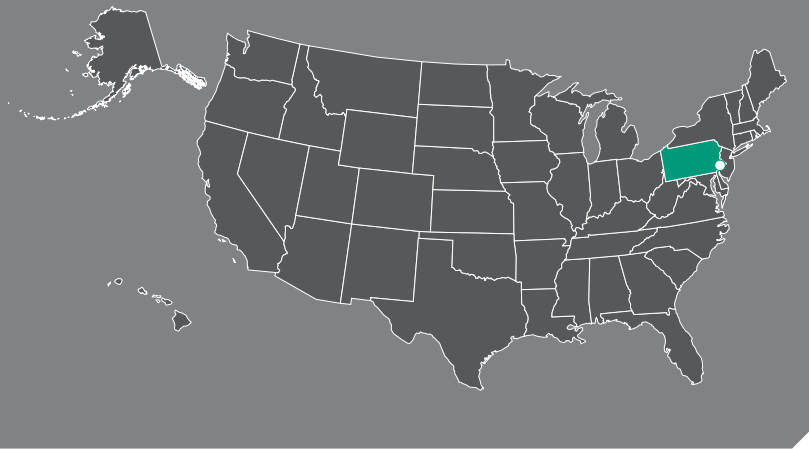
HUD PD&R Housing Market Profiles

City of Philadelphia, Pennsylvania



Quick Facts About Philadelphia

- Current sales market conditions: tight
- Current apartment market conditions: tight
- The city of Philadelphia contains 15 colleges and universities, with approximately 123,700 students and 39,850 employees (National Center for Education Statistics). From 2011 to 2020, total enrollment at these schools declined an average of 1 percent annually, compared with an average annual 2-percent increase from 2005 to 2011.



By Joseph Shinn | As of April 1, 2022

Overview

The city of Philadelphia, which is coterminous with Philadelphia County, is located along the I-95 corridor in southeastern Pennsylvania, between the New York City and Baltimore metropolitan areas, and it is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (hereafter, Philadelphia metropolitan area). During the first quarter of 2022, nonfarm payrolls in the city of Philadelphia increased for the fourth consecutive quarter on a year-over-year basis, compared with year-over-year declines in each of the previous four quarters. As of March 2022, the level of nonfarm payrolls in the city was approximately 33,000 jobs, or 4.4 percent, below the February 2020 level, which was before the local economy was impacted by the effects of the COVID-19 pandemic (not seasonally adjusted). Nonfarm payrolls rose in 9 of 11 sectors during the first quarter, led by the leisure and hospitality and the education and health services sectors, which increased by 19,700 and 7,200 jobs, or 46.0 and 3.1 percent, respectively.

- As of April 1, 2022, the estimated population of the city of Philadelphia is 1.57 million, representing an annualized decrease of 5,500, or 0.3 percent, since July 1, 2021

continued on page 2



continued from page 1

(U.S. Census Bureau population estimates). By comparison, from April 1, 2020, to July 1, 2021, the population decreased by an average of 22,050, or 1.4 percent, annually.

- The strong population decline from 2020 to 2021 was primarily due to elevated levels of net out-migration, which averaged 23,800 people annually and was mostly attributed to residents moving from the city to less densely populated areas during the early stages of the COVID-19 pandemic. As the restrictions put in place to slow the spread of COVID-19 have been phased out, however, and more residents became vaccinated, it is estimated that net out-migration has slowed to an annualized pace of 10,000 people since July 1, 2021.
- Since April 2020, net natural increase (resident births minus resident deaths) in the city of Philadelphia has averaged 2,800 people annually, compared with an average of 5,575

people annually from 2017 to 2020. The recent slowdown is largely attributed to COVID-19-related deaths; since 2020, an average of approximately 2,525 COVID-19-related deaths occurred annually in the city of Philadelphia (Centers for Disease Control and Prevention).

- While the population of the city has declined in recent years, there has been growth in the RealPage, Inc.-defined Center City Philadelphia market area (hereafter, market area) over the past decade, especially during the past year. The growth in this portion of the city is largely attributed to the trend of more young professionals choosing to move into the Center City Philadelphia market area because of numerous dining and entertainment options, as well as the influx of new rental housing being constructed.

Economic Conditions

Nonfarm payrolls in the city of Philadelphia increased significantly during the first quarter of 2022 as the economy continued to recover from severe job losses during March and April 2020 that resulted from the COVID-19 global pandemic. As of March 2022, approximately 72 percent of the 119,300 jobs lost during March and April 2020 had been recovered (not seasonally adjusted). During the first quarter of 2022, the sectors that gained the most jobs in the city were the sectors that declined the most during March and April 2020. Many establishments in those sectors were required to close

or operate at limited capacity during the early stages of the COVID-19 pandemic, but they have since reopened and are now able to operate at full capacity.

During the first quarter of 2022—

- Nonfarm payrolls in the city of Philadelphia averaged 712,600, representing an increase of 40,900 jobs, or 6.1 percent, compared with the first quarter of 2021. By comparison, during the first quarter of 2021, nonfarm

continued on page 3

Nonfarm payrolls increased in 9 of 11 sectors in the city of Philadelphia during the first quarter of 2022.

	First Quarter		Year-Over-Year Change	
	2021 (Thousands)	2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	671.7	712.6	40.9	6.1
Goods-Producing Sectors	28.7	29.9	1.2	4.2
Mining, Logging, & Construction	11.0	11.3	0.3	2.7
Manufacturing	17.7	18.6	0.9	5.1
Service-Providing Sectors	643.0	682.7	39.7	6.2
Wholesale & Retail Trade	58.9	61.7	2.8	4.8
Transportation & Utilities	28.0	28.4	0.4	1.4
Information	11.6	13.3	1.7	14.7
Financial Activities	42.2	41.9	-0.3	-0.7
Professional & Business Services	98.9	105.7	6.8	6.9
Education & Health Services	232.2	239.4	7.2	3.1
Leisure & Hospitality	42.8	62.5	19.7	46.0
Other Services	24.2	26.4	2.2	9.1
Government	104.3	103.3	-1.0	-1.0
Unemployment Rate	10.7%	6.9%		

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

Source: U.S. Bureau of Labor Statistics



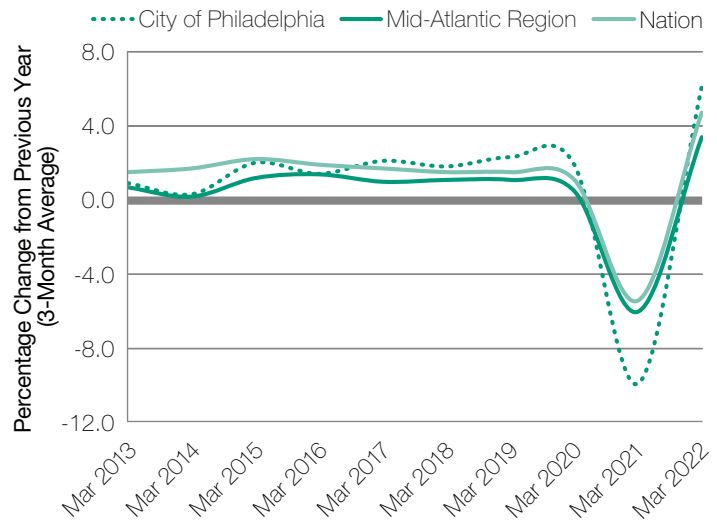
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payrolls declined by 74,200 jobs, or 9.9 percent, compared with the same period a year earlier.

- More than 48 percent of the net gains were in the leisure and hospitality sector, which increased by 19,700 jobs, or 46.0 percent, compared with a decrease of 31,000 jobs, or 42.0 percent, during the same period a year earlier. More than three-fourths of the increase in the sector was in the accommodation and food services industry, which was up by 14,900 jobs, or 41.7 percent; gains in the industry were largely attributed to the elimination of most indoor dining capacity limits that were put in place during the early stages of the COVID-19 pandemic by June 2021.
- Additional increases were in the education and health services and the professional and business services sectors, which were up by 7,200 and 6,800 jobs, or 3.1 and 6.9 percent, respectively. Partially offsetting these gains were losses in the government and the financial activities sectors, which declined by 1,000 and 300 jobs, or 1.0 and 0.7 percent, respectively.
- The unemployment rate in the city of Philadelphia averaged 6.9 percent, down from 10.7 percent during the same period a year earlier, but higher than the 5.8-percent rate during the first quarter of 2019, which was the lowest first-quarter rate since 2000. The current rate in the city is higher than the rates in the Philadelphia metropolitan area and nation of 4.8 and 4.1 percent, respectively.

Before the pandemic, nonfarm payrolls in the city of Philadelphia increased at the fastest pace in the leisure and hospitality sector. From 2010 through 2019, nonfarm payrolls in the sector increased an average of 3.0 percent, or by 1,900 jobs, annually. The strong growth in the sector during this period was largely attributed to rising tourism to the area. During 2019, approximately 44.4 million people visited the Greater Philadelphia area, representing an average increase of more than 2 percent a year since 2010 (Visit Philadelphia®). Because of the COVID-19 pandemic, however, tourism to the area during 2020 declined 32 percent compared with a year earlier, which contributed to significant job loss in the leisure and hospitality sector. During 2020, the average level of nonfarm payrolls in the sector was down by 29,000 jobs, or 38.0 percent, compared with 2019. Tourism to the area rose

Nonfarm payrolls in the city of Philadelphia increased significantly during the first quarter of 2022, compared with a large decline a year ago.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the City of Philadelphia

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pennsylvania and Penn Medicine	Education & Health Services	47,200
Thomas Jefferson University and Thomas Jefferson University Hospitals	Education & Health Services	32,000
Children's Hospital of Philadelphia	Education & Health Services	21,900

Note: Excludes local school districts.

Source: Philadelphia Business Journal

21 percent to 36.2 million visitors during 2021; however, the number of visitors was 19 percent fewer than in 2019. While nonfarm payrolls in the leisure and hospitality sector have increased in each of the past four quarters on a year-over-year basis, the level of nonfarm payrolls in the sector during the first quarter of 2022 is still 11,300 jobs, or 15.3 percent, below the level during the first quarter of 2020, which was an all-time peak first-quarter level. By comparison, nationwide payrolls in the sector during the first quarter of 2022 were down only 8.4 percent compared with the first quarter of 2020.

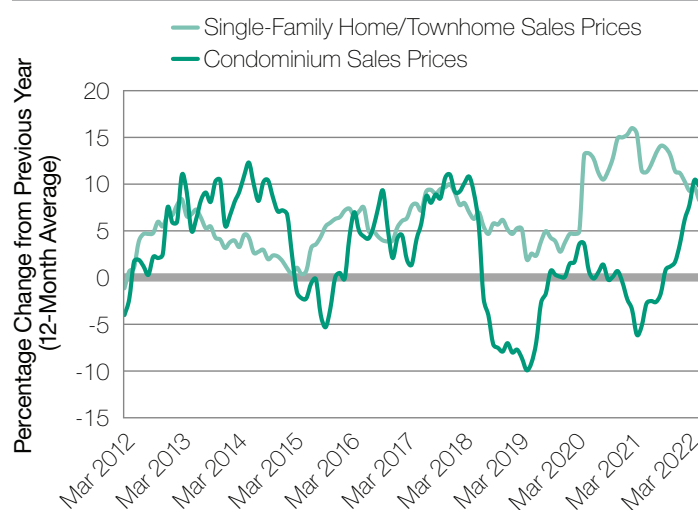
Sales Market Conditions

The sales housing market in the city of Philadelphia is currently tight, with an estimated sales vacancy rate of 1.2 percent, down from 2.2 percent in April 2010. In March 2022, the city of Philadelphia had 2.0 months of available for-sale housing inventory, down from 2.3 months of inventory in March 2021 and from the 10-year peak of 10.5 months of inventory in March 2011, which was the highest level during the 2010s (Bright MLS, Inc.). Sales market conditions in the HMA have tightened during the past 2 years, largely due to a surge in homebuying, partly caused by low mortgage interest rates. Since 2020, the interest rate for a 30-year fixed-rate mortgage has averaged 3.1 percent (Freddie Mac). By comparison from 2015 through 2019, the average interest rate exceeded 3.4 percent each month, including the 5-year peak rate of 4.9 percent in November 2018.

During the 12 months ending March 2022, approximately 19,350 new and existing homes were sold, representing an increase of 3,250 homes, or 20 percent, compared with the same period a year earlier (Bright MLS, Inc.). Home sales in the city have increased an average of 13 percent annually since 2020, compared with an average annual 8-percent decline during 2018 and 2019. In response to tightening sales market conditions, the average sales price of new and existing homes in the city of Philadelphia increased significantly during the past 2 years, and the current price is an all-time high. During the 12 months ending March 2022, the average sales price rose 9 percent to \$328,800. The average sales price has increased an average of 10 percent annually since 2020, compared with an average increase of 5 percent annually from 2012 through 2019.

In March 2022, 2.9 percent of home loans in the city of Philadelphia were seriously delinquent or had transitioned into real estate owned (REO) status, down significantly from 5.9 percent in March 2021 (CoreLogic, Inc.). The rate increased from 2.7 percent in March 2020 to 7.1 percent in August 2020 due to the number of home loans that were 90 or more days delinquent more than tripling, which is largely attributed to households being unable to make their mortgage payments because of elevated unemployment rates. When the economy began to improve, however, job growth accelerated, the unemployment rate declined, and more households became current on their mortgage payments. As a result, the number of home loans that were 90 or more days delinquent has declined 50 percent since August 2020, and the rate of home loans that are seriously delinquent or have transitioned into REO status has decreased or been unchanged in each of the past 19 months. Additionally, because of the forbearance programs that were put in place during the early stages of the COVID-19 pandemic to keep homes from going into foreclosure, the number of home loans that are either in foreclosure or

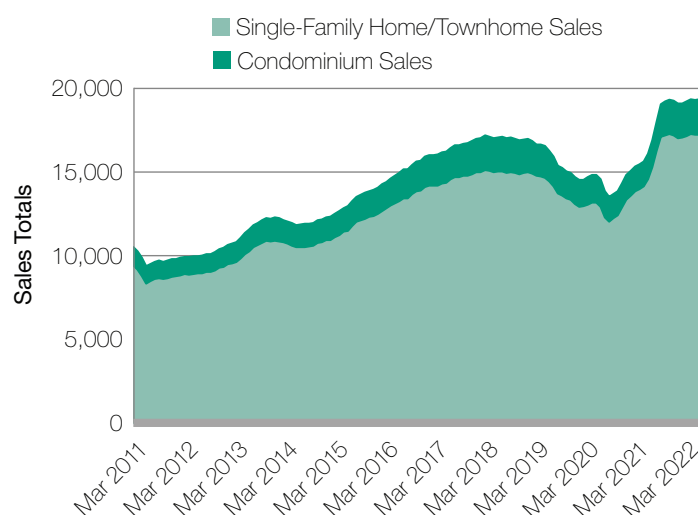
The average sales prices of single-family homes, townhomes, and condominiums in the city of Philadelphia increased at strong paces during the past year.



Note: Includes new and existing homes.

Source: Bright MLS, Inc.

Sales of single-family homes, townhomes, and condominiums in the city of Philadelphia have been strong in recent years.



Note: Includes new and existing homes.

Source: Bright MLS, Inc.

had transitioned into REO status has generally decreased throughout the pandemic, continuing a trend that started in 2012. The current rate of home loans that are seriously delinquent or have transitioned into REO status in the city is higher than the rates in Pennsylvania and the United States of 1.8 and 1.5 percent, respectively.

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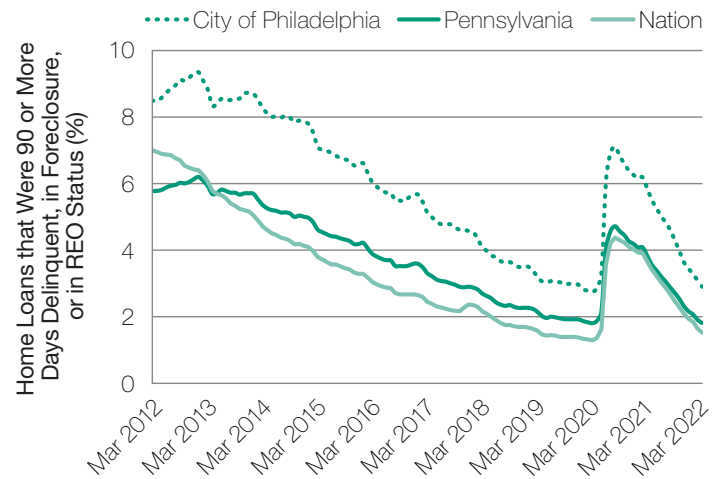
During the 12 months ending March 2022—

- Approximately 17,250 new and existing single-family homes and townhomes were sold in the city, representing an increase of 2,650 homes, or 18 percent, compared with the 12 months ending March 2021 (Bright MLS, Inc.). Home sales have increased an average of 14 percent annually during the past 2 years, and the current level is an all-time high.
- The average sales price of new and existing single-family homes and townhomes reached an all-time high of \$316,200, up 8 percent compared with the previous 12-month period. The average sales price has increased an average of 7 percent annually since 2012, and the current price is 93 percent higher than the price of \$164,200 during 2011, which was the lowest price during the 2010s.
- Sales of new and existing condominiums increased 39 percent, to 2,100 units sold, compared with an average annual 9 percent decline during the previous 3 years. During the past year, the average sales price of new and existing condominiums rose 10 percent, to \$432,300, compared with an average 4-percent annual decline in corresponding periods from 2019 through 2021.
- The average sales price of condominiums in the city of Philadelphia has historically been higher than the average price of single-family homes and townhomes. This difference is because condominiums are primarily located in the Center City Philadelphia market area, where housing prices are higher, whereas the single-family homes and townhomes are outside the Center City Philadelphia market area, where prices are lower.

In response to a surge in home sales, single-family construction activity in the city of Philadelphia, as measured by the number of homes permitted, has been strong during the past 2 years. Construction activity was especially strong during 2021, when homebuilding activity reached the highest level in more than 20 years.

- During the 12 months ending March 2022, single-family construction activity in the city of Philadelphia totaled approximately 1,425 homes, representing an increase of 310 homes, or 27 percent, compared with the previous 12-month period (preliminary data). By comparison, during the 12 months ending March 2021, homebuilding activity was up 43 percent compared with the same period a year earlier.
- Single-family homebuilding activity in the city has averaged 1,175 homes permitted annually since 2020. Homebuilding activity since 2020 is up 43 percent compared with the average of 820 homes permitted annually from 2015 through 2019.

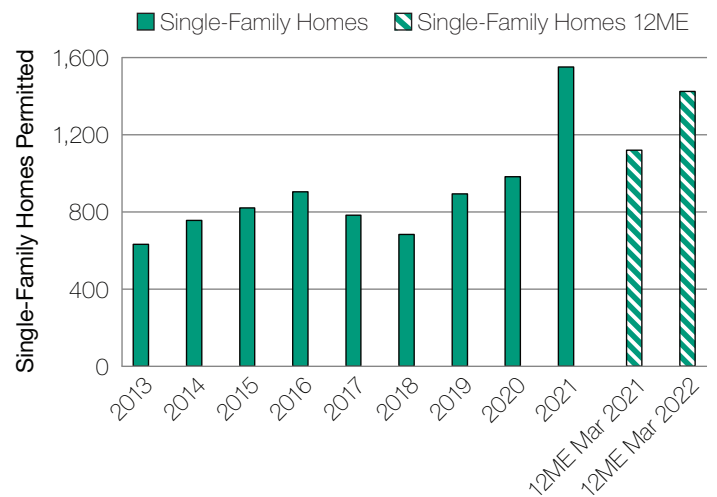
The rate of seriously delinquent mortgages and REO properties in the city of Philadelphia increased significantly from April 2020 through August 2020 but has steadily declined since September 2020.



REO = real estate owned.

Source: CoreLogic, Inc.

Single-family homebuilding activity in the city of Philadelphia increased during the past 3 years, including a strong rise during 2021.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data; past 24 months of data—preliminary data

- Since 2020, an average of approximately 790 condominium units were permitted annually, more than double the average of 330 units permitted annually from 2015 through 2019. Currently under construction is The Moyer, a 29-unit condominium community in the Fishtown neighborhood; all units are expected to be complete by the end of 2022, and prices for one- and two-bedroom condominium units start at \$294,900 and \$354,900, respectively.

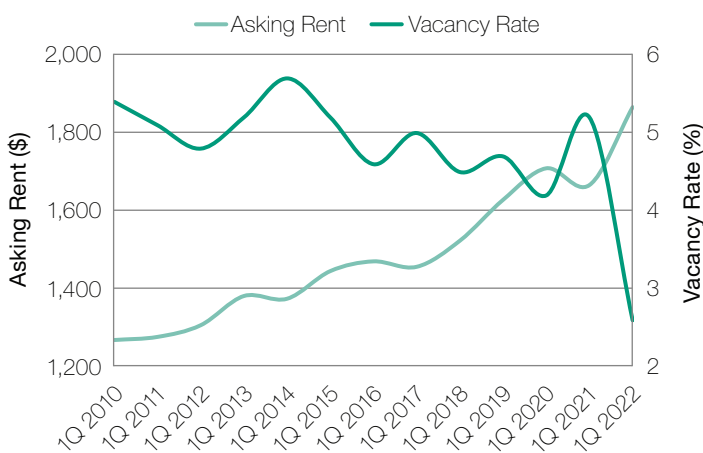
Apartment Market Conditions

Apartment market conditions in the city of Philadelphia are currently tight, compared with balanced conditions in 2010. Conditions in the city were generally balanced from 2010 through 2020, but they have tightened during the past year, partially attributable to more people moving into the Center City Philadelphia market area, where more than 35 percent of all apartment units in the city are located.

During the first quarter of 2022—

- The apartment vacancy rate in the city of Philadelphia was 2.6 percent, down from 5.2 percent during the first quarter of 2021 (RealPage, Inc.). The first-quarter vacancy rate exceeded 4.0 percent each year from 2010 through 2021 before falling below 3.0 percent during the past year for the first time in more than 20 years.
- The apartment vacancy rate declined in all four market areas that make up the city of Philadelphia, led by a 4.3-percentage-point decline, to 3.4 percent, in the Center City Philadelphia market area. In the Southwest Philadelphia, Northeast Philadelphia, and Northwest Philadelphia market areas, the vacancy rates were 2.8, 2.0, and 1.7 percent, down from 6.2, 2.7, and 3.6 percent, respectively, during the first quarter of 2021.
- The average apartment rent in the city of Philadelphia rose 12 percent, to \$1,867, which was the largest year-over-year increase in more than 15 years. By comparison, during the first quarter of 2021, the average rent declined 2 percent compared with the same period a year earlier.

During the past year, the apartment vacancy rate in the city of Philadelphia decreased significantly, whereas the average rent increased compared with a decline a year ago.



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

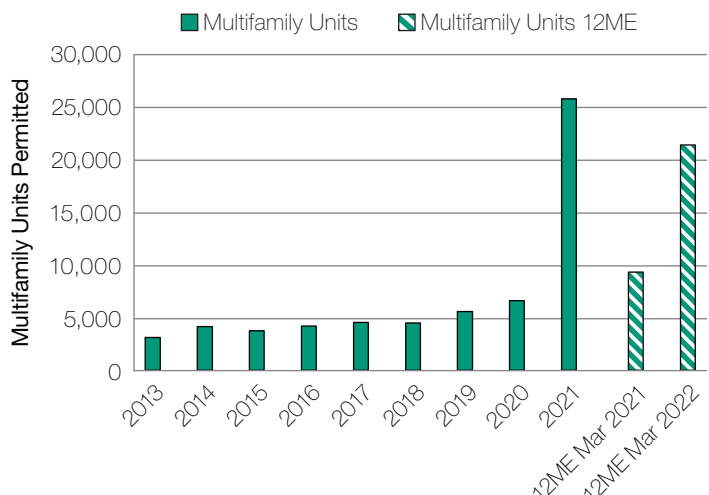
- Average apartment rents were up in all four market areas, ranging from a 4-percent increase in the Northwest Philadelphia market area to a 14-percent rise in the Southwest Philadelphia market area. In the Center City Philadelphia market area, the average rent was up 11 percent, to \$2,377, which was the highest average rent in the city.

Multifamily construction activity in the city of Philadelphia, as measured by the number of units permitted, has been strong since 2014, partly because of newly constructed apartment units being absorbed at a rapid pace. Additionally, multifamily permitting activity surged during 2021, largely because developers wanted to take advantage of a tax-abatement program in the city that expired at the end of 2021. To qualify for the program, which allowed for tax-abatements over a 10-year period, the building permits had to be approved by the end of the year; however, construction on many of those developments is not expected to begin for years.

- During the 12 months ending March 2022, a total of 21,350 multifamily units were permitted in the city of Philadelphia, more than double the 9,300 units permitted during the same period a year earlier (preliminary data, with adjustments by the analyst).
- From 2014 through 2020, an average of 4,750 multifamily units were permitted annually in the city of Philadelphia. By comparison, from 2005 through 2013, an average of 2,150 multifamily units were permitted annually.

continued on page 7

Multifamily building activity in the city of Philadelphia surged during 2021 because developers applied for permits to take advantage of a tax-abatement program before it expired at the end of the year.



12ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

continued from page 6

- Since 2010, approximately 6 percent of all multifamily units permitted in the city of Philadelphia were for condominiums, down significantly from 33 percent of units permitted from 2000 through 2009 (estimates by the analyst).
- Recent apartment construction activity includes the 330-unit Broadridge Philly apartment community, which is in the Center City Philadelphia market area and was completed in mid-2021. Rents for the studio, one-bedroom, two-bedroom, and three-bedroom units start at \$1,550, \$2,100, \$2,900, and \$3,000, respectively.
- In the Southwest Philadelphia market area, construction of the 281-unit Next LVL apartment community was completed in May 2021. Rents for the studio, one-bedroom, two-bedroom, and three-bedroom units start at \$1,350, \$1,675, \$2,575, and \$3,450, respectively.

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an area. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
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Existing Home Sales	Include resales, short sales, and REO sales.
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Home Sales/Home Sales Prices	Include single-family, townhome, and condominium sales.
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Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
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B. Notes on Geography

1. The metropolitan statistical area definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2. The Greater Philadelphia region is defined by Visit Philadelphia® as the counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia.