COMPREHENSIVE HOUSING MARKET ANALYSIS

Philadelphia, Pennsylvania

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2019

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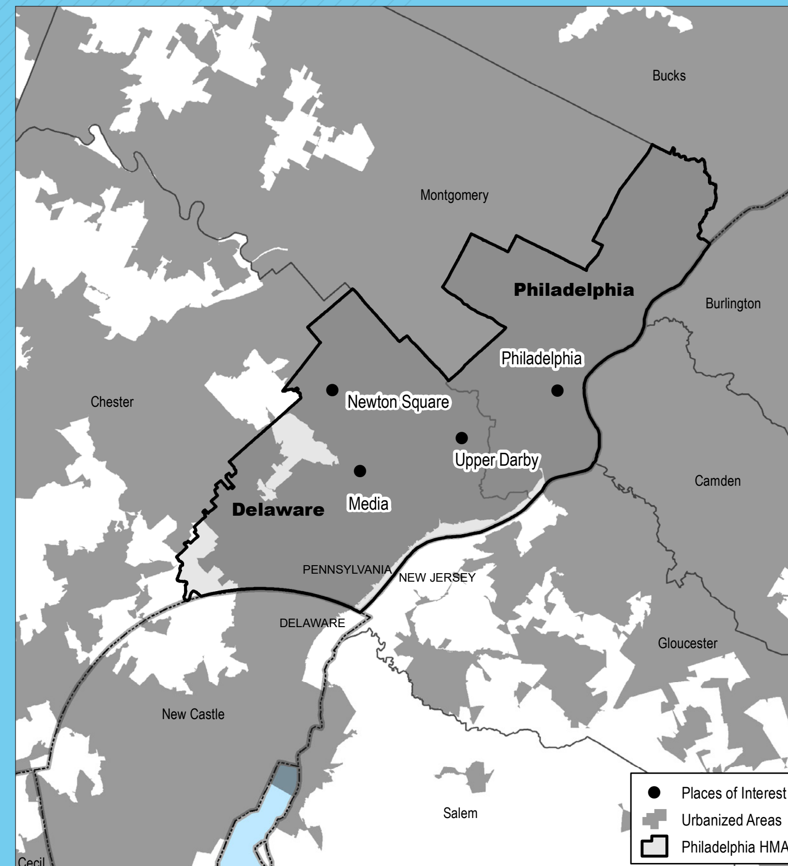

Executive Summary

Housing Market Area Description

The Philadelphia Housing Market Area (HMA) consists of Philadelphia and Delaware Counties in eastern Pennsylvania. The HMA is coterminous with the Philadelphia, PA Metropolitan Division, which is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into two submarkets: (1) the Philadelphia City submarket, which consists of Philadelphia County, and (2) the Delaware County submarket.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strong: Nonfarm payrolls increased by 20,300 jobs, or 2.1 percent, during the 12 months ending June 2019, with jobs added each year since 2010.

Economic conditions in the Philadelphia HMA have improved since 2010, including accelerated job growth since 2014. During the 12 months ending June 2019, nonfarm payrolls increased to 973,700 jobs, an increase of 20,300 jobs. Nonfarm payrolls have increased an average of 1.6 percent annually since 2014, compared with an average 0.6-percent growth rate from 2010 through 2013. During the 3-year forecast period, nonfarm payrolls are estimated to increase an average of 2.1 percent annually.

Sales Market

Balanced: Average sales prices for existing and new homes increased 5 and 3 percent, respectively, in the past year.

The sales market in the HMA is balanced, but sales of new and existing homes declined during the past year. The current sales vacancy rate is estimated at 1.5 percent, down from 2.0 percent in 2010. During the 12 months ending May 2019, approximately 33,650 new and existing homes sold, down by 3,050 home sales, or 8 percent, compared with the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). During the next 3 years, demand is estimated for 6,075 new homes. The 640 homes under construction will satisfy a portion of this demand.

Rental Market

Balanced: Despite the apartment market being slightly tight, the overall rental market has become balanced compared with soft conditions in 2010.

The overall rental market in the HMA is currently balanced with an estimated overall rental vacancy rate of 6.3 percent, down from 9.1 percent in 2010. Conditions in the apartment market, however, are slightly tight. During the second quarter of 2019, the average apartment rent increased 7 percent, to $1,497, compared with the second quarter of 2018 while the vacancy rate decreased from 4.2 to 3.7 percent (RealPage, Inc.). During the forecast period, demand is estimated for 11,375 new rental units. The 3,450 units currently under construction will satisfy a portion of this demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Philadelphia City	Total Demand	4,125	10,050
	Under Construction	500	3,000
Delaware County	Total Demand	1,950	1,325
	Under Construction	140	450
Philadelphia HMA	Total Demand	6,075	11,375
	Under Construction	640	3,450

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2019. The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Economic Conditions

Largest sector: Education and Health Services

The economy of the HMA recovered from job losses resulting from the Great Recession from 2010 through 2012, and economic conditions have continued to strengthen since 2013.

Primary Local Economic Factors

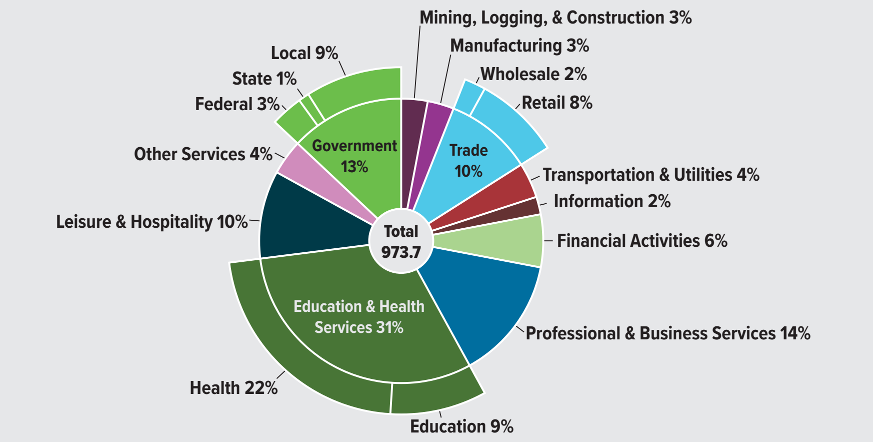
The education and health services and the government sectors are the first and third largest nonfarm payroll sectors in the Philadelphia HMA, accounting for 31 and 13 percent of all nonfarm payrolls, respectively (Figure 1). Higher education is a major contributor to both of these sectors with nearly 30 public and private colleges and universities in the HMA. Enrollment at these schools totals approximately 134,300 students, but has declined an average of 1 percent annually since 2010 (National Center for Education Statistics). Employment at these schools totals approximately 29,400, relatively unchanged since 2010.

Economic Sectors of Significance

Education and Health Services

The education and health services sector includes five of the seven largest employers in the HMA, including University of Pennsylvania and Penn Medicine, which is the largest employer in the HMA with approximately 41,700 employees (Table 1). According to a report by Econsult Solutions, Inc., the combined impact of the university and medical center on the city of Philadelphia was $10.8 billion during 2015 (“The Economic and Fiscal Impact of the University of Pennsylvania, FY2015”).

Figure 1. Current Nonfarm Payroll Jobs in the Philadelphia HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.
Source: U.S. Department of Labor Statistics

Table 1. Major Employers in the Philadelphia HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Pennsylvania and Penn Medicine	Education & Health Services	41,700
Thomas Jefferson University and University Health	Education & Health Services	30,500
Comcast Corporation	Information	14,450
Drexel University	Education & Health Services	10,250
Temple University Health System	Government	9,725
Bayada Home Health Care	Education & Health Services	8,800
Einstein Healthcare Network	Education & Health Services	8,800
Temple University	Government	8,150
Independence Health Group	Financial Activities	7,400
Wells Fargo Bank, N.A.	Financial Activities	6,150

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

Since 2010, nearly 48 percent of all net job gains in the HMA were in the education and health services sector, which has annually increased by an average of 5,100 jobs, or 1.8 percent. Increases in the sector were in both the health care and social assistance industry and the educational services industry, which have annually increased by averages of 4,100 and 900 jobs, or 2.2 and 1.1 percent, respectively, since 2010.

Leisure and Hospitality

Since 2010, nonfarm payrolls have increased at the fastest pace in the leisure and hospitality sector. During this period, payrolls in the sector have increased an average of 2.9 percent, or by 2,500 jobs, annually. By comparison, from 2001 through 2009, nonfarm payrolls in the sector were up an average of 0.3 percent, or by 200 jobs, annually. Recent growth in this sector is partially attributed to the opening of Sugarhouse Casino in the Fishtown neighborhood of Philadelphia. The casino initially opened in 2010, and approximately 1,600 workers are currently employed there. Additional gains in the sector are expected with the completion of Live! Casino and Hotel Philadelphia, which began construction in mid-2019. Approximately 2,000 new jobs are expected to be added once the casino opens in late 2020.

Manufacturing

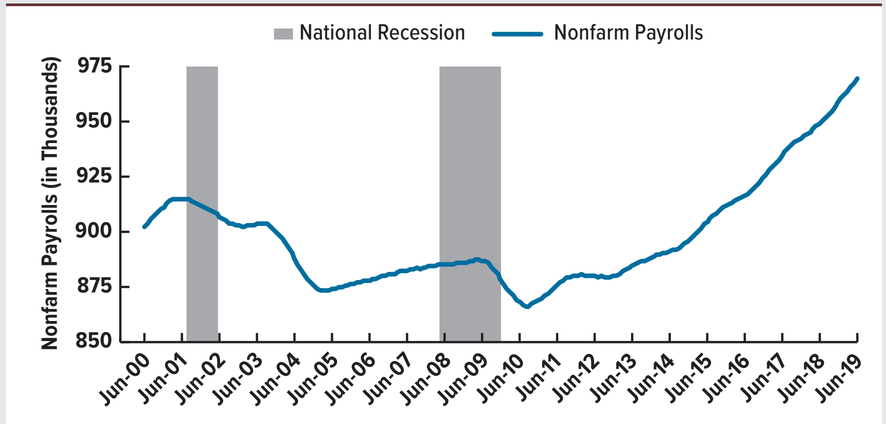
Nonfarm payrolls in the manufacturing sector have declined or remained relatively unchanged in each of the past 29 years. In 1990, the sector made up more than 10 percent of all nonfarm payrolls in the HMA. Payrolls in the sector, however, have since declined by an average of 2,100 jobs, or 3.5 percent, annually, and the sector now makes up approximately 3 percent of all jobs in the HMA. Recent losses include Cardone Industries, a remanufacturer of car parts, which laid off more than 1,300 workers in mid-2016 after moving one of its production divisions to Mexico.

Economic Periods of Significance

2001 through 2004

Nonfarm payrolls in the HMA declined each year from 2001 through 2004, down by an average of 9,500 jobs, or 1.1 percent, annually (Figure 2). More than 70 percent of the net losses during this period were in the wholesale and retail trade and the manufacturing sectors, which annually declined by averages of 3,500 and 3,400 jobs, or 3.2 and 6.0 percent, respectively. The education and health services sector, which added an average of 2,100 jobs, or 1.0 percent, annually, was the only nonfarm payroll sector to add jobs during this period.

Figure 2. 12-Month Average Nonfarm Payrolls in the Philadelphia HMA



Note: Twelve-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2005 through 2008

Economic conditions improved from 2005 through 2008, but job growth was slow relative to national growth. During the 4-year period, nonfarm payrolls increased an average of 0.4 percent, or by 3,100 jobs, annually, compared with an average annual 1.4-percent growth rate nationwide. Payroll gains in the HMA were largest in the education and health services and the professional and business services sectors, which annually increased by averages of 5,300 and 1,600 jobs, or 2.3 and 1.4 percent, respectively. These gains were partially offset by losses in the government and manufacturing sectors, which annually declined by averages of 1,800 and 1,100 jobs, or 1.3 and 2.4 percent, respectively. In the government sector, the losses were concentrated in the local and federal government subsectors, which were down by averages of 1,000 and 800 jobs, or 1.1 and 2.2 percent, respectively.

2009

Similar to the rest of the nation, nonfarm payrolls in the HMA declined during 2009, but the losses were not as severe as the whole nation. During 2009, nonfarm payrolls declined by 16,800 jobs, or 1.9 percent, compared with a 4.3-percent decrease nationwide. Losses in the HMA were largest in the professional and business services; wholesale and retail trade; and mining, logging, and construction sectors, which decreased by 6,200, 3,500, and 3,400 jobs, or 5.4, 3.6, and 14.6 percent, respectively. Nearly 60 percent of the decline in the professional and business services sector was in the administrative and support and waste management and remediation services industry, which decreased by 3,700 jobs, or 9.3 percent. The decline in the mining, logging, and construction sector was largely attributed to decreased homebuilding activity throughout the region in response to the housing crisis.

2010 through 2013

Economic conditions in the HMA improved from 2010 through 2013, albeit at a slow pace. During the 4-year period, nonfarm payrolls increased by an average of 5,000 jobs, or 0.6 percent, annually. By comparison, nonfarm payrolls nationwide increased an average of 1.0 percent annually. Gains were largest in the education and health services, the leisure and hospitality, and the professional and business services sectors, which annually increased by averages of 2,800, 2,600, and 2,400 jobs, or 1.1, 3.3, and 2.2 percent, respectively. Partially offsetting these gains were losses in the government and manufacturing sectors, which were down by averages of 2,000 and 1,200 jobs, or 1.5 and 3.0 percent, respectively.

2014 through 2018

Job growth accelerated from 2014 through 2018; nonfarm payrolls increased by an average of 14,300 jobs, or 1.6 percent, annually. The increased growth was largely because of stronger gains in the education and health services sector, which was up by an average of 6,500 jobs, or 2.4 percent, annually. Approximately 80 percent of the gains were in the healthcare and social assistance industry, which increased by an average of 5,200 jobs, or 2.4 percent, annually. Job growth also continued to be strong in the professional and business services, and the leisure and hospitality sectors, which annually increased by averages of 3,000 and 2,200 jobs, or 2.5 percent each, respectively.

Current Conditions—Nonfarm Payrolls

Economic conditions have continued to strengthen during the past year, and nonfarm payrolls have increased at the strongest pace in more than 25 years. During the 12 months ending June 2019, nonfarm payrolls were up 2.1 percent, or by 20,300 jobs, compared with the same period a year earlier (Table 2). Nonfarm payrolls increased at the fastest pace in the mining, logging, and construction and the transportation and utilities sectors, which were up 4.4 and 3.8 percent, or by 1,100 and 1,400 jobs, respectively. The increase in the mining, logging, and construction sector was largely attributed to the estimated 3,000 construction jobs that were created when work got under way at Live! Casino and Hotel Philadelphia. Additional gains during the past year were in the education and health services, the leisure and hospitality, and the professional and business services sectors, which increased by 9,400, 3,300, and 2,200 jobs, or 3.2, 3.4, and 1.7 percent, respectively. Losses during the past year were in the manufacturing and the wholesale and retail trade sectors, which declined by 300 jobs each, or 0.9 and 0.3 percent, respectively. All losses in the wholesale and retail trade sector were in the retail trade subsector, which was down by 700 jobs, or 1.0 percent, while the decrease in the manufacturing sector was partially due to more than 160 jobs lost in late 2018 when Bartash Printing, Inc. closed its commercial printing business.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Philadelphia HMA, by Sector

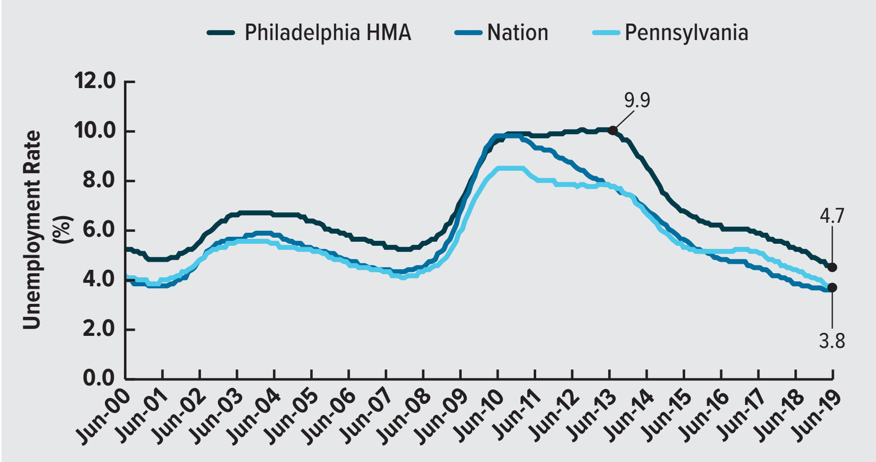
	12 Months Ending June 2018	12 Months Ending June 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	953.4	973.7	20.3	2.1
Goods-Producing Sectors	58.5	59.2	0.8	1.3
Mining, Logging, & Construction	24.2	25.2	1.1	4.4
Manufacturing	34.3	34.0	-0.3	-0.9
Service-Providing Sectors	895.0	914.5	19.5	2.2
Wholesale & Retail Trade	98.0	97.7	-0.3	-0.3
Transportation & Utilities	36.8	38.2	1.4	3.8
Information	14.6	14.8	0.3	1.7
Financial Activities	58.6	60.1	1.5	2.5
Professional & Business Services	132.3	134.5	2.2	1.7
Education & Health Services	291.7	301.1	9.4	3.2
Leisure & Hospitality	95.8	99.1	3.3	3.4
Other Services	39.6	40.1	0.5	1.4
Government	127.6	128.9	1.3	1.0

Notes: Based on 12-month averages through June 2018 and June 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

During the 12 months ending June 2019, the unemployment rate in the HMA was 4.7 percent (Figure 3). The rate is down from the average rate of 5.4 percent during the 12 months ending June 2018 and from the average 9.8-percent rate from 2010 through 2012. The current unemployment rate is above the statewide and nationwide rates of 4.0 and 3.8 percent, respectively. During the 12 months ending June 2019, the unemployment rates in the Philadelphia City and Delaware County submarkets averaged 5.1 and 3.7 percent, respectively, down from 5.9 and 4.3 percent during the previous 12-month period.

Figure 3. 12-Month Average Unemployment Rate in the Philadelphia HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are estimated to increase by an average of 20,900 jobs, or 2.1 percent, annually. Payroll growth is expected to be slower during the first year because of two planned large-scale layoffs during the latter half of 2019. 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 recent fire and explosion significantly damaged the facility.

Job growth is anticipated to accelerate during the second and third years of the forecast period, with gains estimated to be largest in the professional and business services and the education and health services sectors. In addition to the 2,000 jobs that are expected to be created in late 2020 when construction at Live! Hotel and Casino Philadelphia is completed, Sparx Therapeutics, a pharmaceutical development company, recently announced plans to expand its operations in the city of Philadelphia, resulting in approximately 500 new jobs over the next 5 years. Penn Medicine is also building a new $1.5 billion, 500-bed hospital pavilion in West Philadelphia. An undetermined number of jobs are expected to be added once construction is completed during 2020.

Population and Households

Current population: 2.16 million

Population growth in the HMA has been slow since 2012 due to steady net out-migration.

Population Trends

As of July 1, 2019, the estimated population of the Philadelphia HMA is nearly 2.16 million, representing an average increase of 7,525, or 0.4 percent, annually since April 2010 (Estimates by the analyst; Table 3). From 2000 to 2008, the population decreased by an average of 1,500, or 0.1 percent, annually (U.S. Census Bureau population estimates as of July 1; Figure 4). The population decline was due to strong net out-migration averaging 8,725 people annually, which was attributed to job losses in the early 2000s and relatively weak job gains from 2005 through 2008. From 2008 to 2012, there was net in-migration each year, which averaged 4,050 people annually and was in response to job losses in the HMA not being as severe as in the nation as a whole during the recession. The net in-migration contributed to population growth occurring each year, averaging 14,150, or 0.7 percent, annually. Relatively slow job growth since the end of the recession, however, caused net out-migration to resume. Since 2012, net out-migration has averaged 2,350 people annually, causing population growth to slow to 6,025, or 0.3 percent, annually. Net natural change (resident births minus resident deaths) has averaged 8,375 people annually since 2012, down from an average of 10,100 people annually from 2008 to 2012.

Philadelphia City Submarket

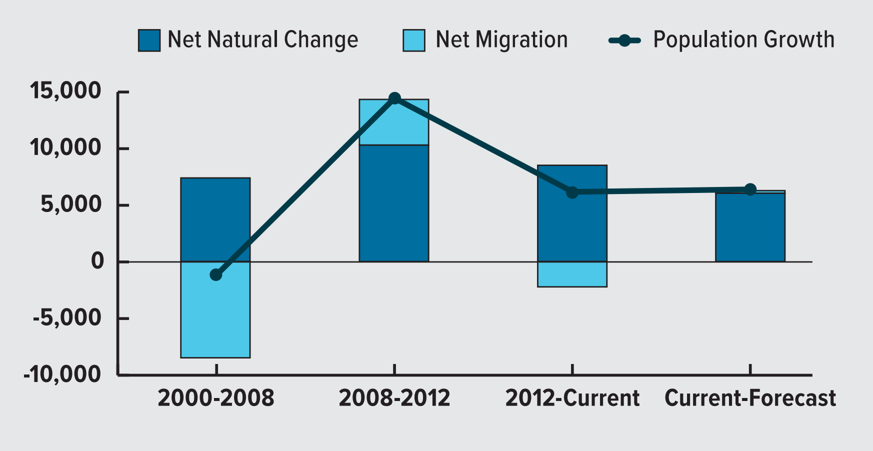
The population of the Philadelphia City submarket is currently estimated at nearly 1.59 million, accounting for approximately 74 percent of the total population in the HMA. Population trends in the submarket were similar to the HMA as a whole, as the fluctuations in migration trends in the HMA overall coincided with the changes

Table 3. Philadelphia HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	2,084,985	2,155,000	2,173,000
	Average Annual Change	1,650	7,525	6,175
	Percentage Change	0.1	0.4	0.3
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	808,436	847,200	858,500
	Average Annual Change	1,200	4,200	3,775
	Percentage Change	0.2	0.5	0.4

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The current date is July 1, 2019, and the forecast date is July 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Philadelphia HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (July 1, 2019), to July 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

in the submarket. From 2000 to 2008, the population declined by an average of 2,150, or 0.1 percent, annually due to net out-migration each year, which averaged 8,175 people annually. Just as with the HMA overall, there was net in-migration from 2008 to 2012, which averaged 4,300 people annually. This, combined with a surge that grew net natural change to 8,700, resulted in population growth increasing to an average of 13,000 people, or 0.9 percent, annually. Net out-migration resumed in 2012, averaging 2,050 people annually, and population growth has slowed to an average of 5,250 people, or 0.3 percent, annually.

Delaware County Submarket

The population of the Delaware County submarket is currently estimated at 566,100, accounting for approximately 26 percent of the total population in the HMA. Unlike the Philadelphia City submarket, migration trends have not varied significantly since 2000, with net out-migration occurring at a relatively stable pace in most years during this period. Net out-migration averaged 440 people annually from 2000 to 2010, compared with 410 people annually since 2010. Population increased by an average of 1,100, or 0.2 percent, annually from 2005 to 2015 driven by an average net natural change of 1,375 people annually from 2005 to 2015. The slower average annual population growth of 740, or 0.1 percent, in the submarket since 2015 was due to lower levels of net natural change. Since 2015, net natural change has averaged 950 people annually.

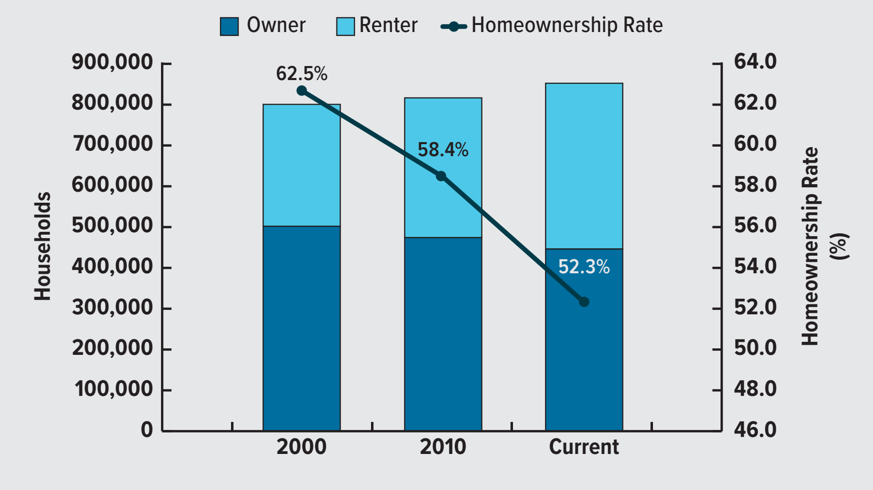
Household Trends

An estimated 847,200 households currently reside in the HMA—633,900 and 213,300 households reside in the Philadelphia City and Delaware County submarkets, respectively. Household growth trends in the HMA, and each submarket, have been similar to population growth trends. From 2000 to 2010, the number of households increased by an average of 1,200, or 0.2 percent, annually. Since 2010, the number of households in the HMA has increased by an average of 4,200 households, or 0.5 percent, annually. In the Philadelphia City and Delaware County submarkets, From 2000 to 2010, households annually increased by averages of 970 and 240, or 0.2 and 0.1 percent, respectively. Household growth recently accelerated in both submarkets due to stronger population growth. Since 2010, the number of households in the Philadelphia City and Delaware County submarkets has annually increased by averages of 3,700 and 500, or 0.6 and 0.2 percent, respectively.

Households by Tenure

The current homeownership rate in the HMA is estimated at 52.3 percent, down from 58.4 percent in 2010 and 62.5 percent in 2000 (Figure 5). The homeownership rate declined in both submarkets, but the decrease was larger in the Philadelphia City submarket. In the Philadelphia City submarket, the homeownership rate was estimated at 47.2 percent, down from 54.1 percent in 2010. The significant decline was because of strong household growth in

Figure 5. Households by Tenure and Homeownership Rate in the Philadelphia HMA



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst the central portions of the city, where the percentage of renters is relatively high. Outside of the central portions of the city, where the homeownership rate is typically higher, there has been an estimated decline in the number of households. In the Delaware County submarket, the homeownership rate is estimated at 67.4 percent, down from 70.5 percent in 2010.

Forecast

During the 3-year forecast period, net in-migration in the HMA is estimated to resume in response to recent strong job growth. During the next 3 years, net in-migration is estimated to average 380 people annually, and the population is expected to increase by an average of 6,175, or 0.3 percent, annually, reaching approximately 2.17 million by July 1, 2022. In the Philadelphia City and Delaware County submarkets, the populations are estimated to increase by averages of 4,850 and 1,325, or 0.3 and 0.2 percent, respectively.

During the next 3 years, the number of households in the HMA is anticipated to increase by an average of 3,775, or 0.4 percent, annually, reaching 858,500 households. In the Philadelphia City and Delaware County submarkets, the number of households is expected to annually increase by averages of 3,150 and 610 households, or 0.5 and 0.3 percent, to 643,300 and 215,200 households, respectively.

Home Sales Market Conditions

Sales Market—Philadelphia HMA

Market Conditions: Balanced

Sales housing market conditions are currently balanced in the HMA overall and in both submarkets, and sales vacancy rates are down in both submarkets compared with 2010.

Current Conditions

The sales housing market in the Philadelphia HMA is currently balanced. The current vacancy rate is 1.5 percent (Table 4), down from 2.0 percent in April 2010. In June 2019, the HMA had 2.8 months of available for-sale housing inventory (CoreLogic, Inc.). The current months of inventory is up slightly from 2.7 months of inventory in June 2018, but down from a recent peak of 8.8 months of inventory in June 2011. Sales market conditions were balanced in 2000 but transitioned to soft from 2001 through 2008 because of strong net out-migration. Conditions, however, transitioned back into balance from 2009 through 2012 due to net in-migration and have remained in balance since 2013 due to limited sales construction activity.

Table 4. Home Sales Quick Facts in the Philadelphia HMA

Home Sales Quick Facts		Philadelphia HMA	Nation
	Vacancy Rate	1.5%	NA
	Months of Inventory	2.8	3.1
	Total Home Sales	33,650	6,194,000
	1-Year Change	-8%	-3%
	New Home Sales Price	$494,100	$381,800
	1-Year Change	3%	1%
	Existing Home Sales Price	$209,300	$286,700
	1-Year Change	5%	4%
	Mortgage Delinquency Rate	2.4%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date (July 1, 2019). Home sales and prices are for the 12 months ending May 2019. Months of inventory and mortgage delinquency data are as of June 2019.
Source: CoreLogic, Inc., with adjustments by the analyst

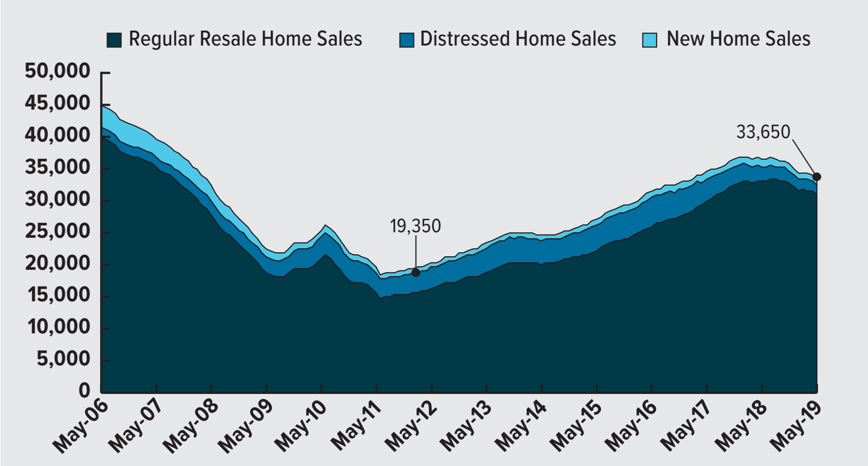
REO Properties and Delinquent Mortgages

In May 2019, 2.4 percent of home loans in the Philadelphia HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 3.0 percent in May 2018 and a peak of 7.4 percent in January 2013 (CoreLogic, Inc.). The current rate is higher than the statewide and nationwide rates of 2.0 and 1.4 percent, respectively.

Home Sales

Sales of new and existing homes decreased during the past year after strong gains during the previous 7 years. The recent decline is partially attributed to rising mortgage interest rates in 2018. In December 2018, the average interest rate of a 30-year fixed rate mortgage in the United States was 4.8 percent, up compared with the 3.9-percent average rate in December 2017 (Federal Reserve Bank of St. Louis). During the 12 months ending May 2019, approximately 33,650 new and existing homes were sold, representing a decrease of 3,050 homes, or 8 percent, compared with the 12 months ending May 2018 (CoreLogic, Inc., with adjustments by the analyst; Figure 6). By comparison, home sales activity increased an average of 9 percent annually in corresponding periods from 2012 through 2018, and the current level of sales is up 74 percent compared with the 19,350 homes sold during 2011, when sales reached a recent low-level. The current level of sales, however, is down 20 percent compared with the 42,050 homes sold during 2006, prior to the housing market downturn.

Figure 6. 12-Month Sales Totals by Type in the Philadelphia HMA



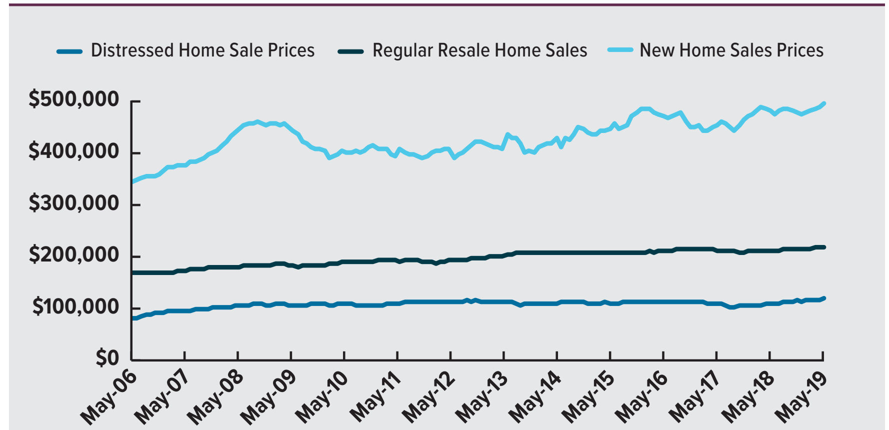
Source: CoreLogic, Inc., with adjustments by the analyst

Home Sale Prices

During the 12 months ending May 2019, the average sales price of existing homes (including distressed sales and regular resales) increased 5 percent, to $209,300, which is an all-time peak level. The average sales price increased an average of 3 percent annually during the past 4 years, compared with an average 1-percent increase from 2009 through 2015. The faster rate of growth was partially attributed to lower-priced distressed sales making up a smaller portion of all existing home sales. Since 2016, approximately 8 percent of all home sales were distressed sales, down from 15 percent of all sales from 2009 through 2015. Despite reaching an all-time peak level during the past year, the average sales price of existing homes in the HMA is 15 percent lower than the average price of $247,400 in the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA, which is largely attributed to lower income levels in the HMA. In 2017, the median household income in the HMA was $47,326, which was the lowest of the four metropolitan divisions that make up the metropolitan area and 31 percent lower than the median income of $68,572 in the metropolitan area.

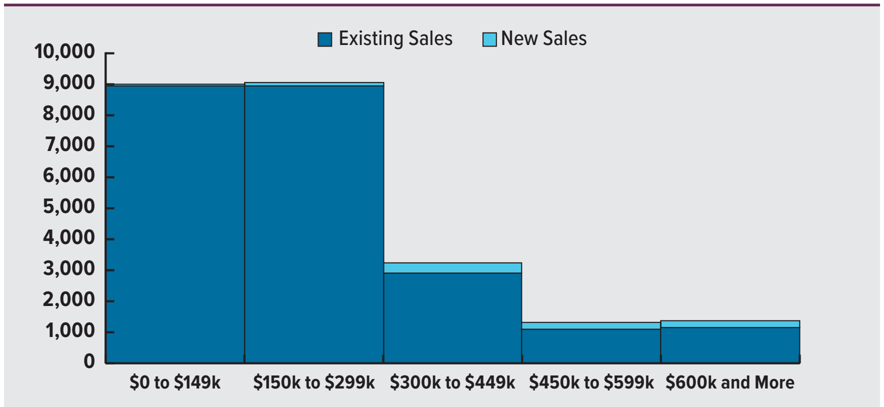
During the 12 months ending May 2019, the average sales price of new homes increased 3 percent, to $494,100. The average sales price increased an average of 3 percent annually during the past 6 years, and the current average price is up 43 percent compared with the average price of $346,000 during 2009. Figure 7 shows the 12-month average sales prices by sales type in the HMA, and Figure 8 shows new and existing home sales by price range during the 12 months ending May 2019.

Figure 7. 12-Month Average Sales Price by Type of Sale in the Philadelphia HMA



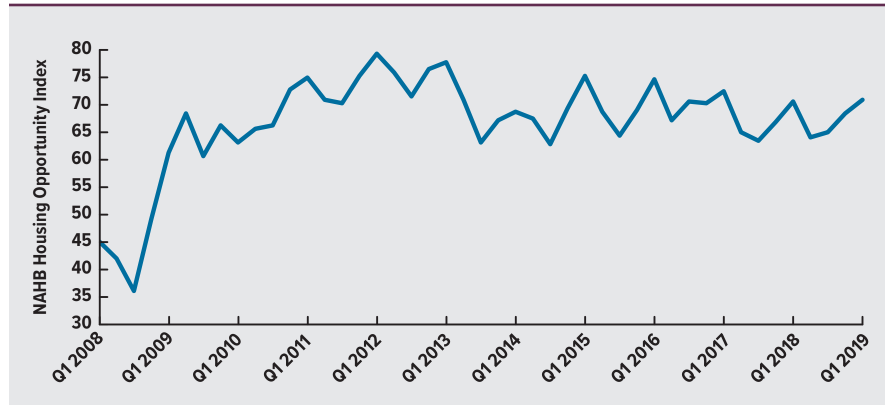
Source: CoreLogic, Inc., with adjustments by the analyst

Figure 8. Share of Sales by Price Range During the 12 Months Ending May 2019 in the Philadelphia HMA



Source: Metrostudy, A Hanley Wood Company

Figure 9. Philadelphia HMA Housing Opportunity Index



NAHB = National Association of Home Builders. **Q1** = first quarter.
Source: NAHB/Wells Fargo

Housing Affordability

Homeownership in the Philadelphia HMA is generally affordable, although the affordability of buying a home in the HMA has generally trended downwards since 2012 when a large number of distressed home sales (REO sales and short sales) were on the market during the foreclosure crisis. Most of these homes have since been sold, putting strong upward pressure on sales prices despite a decline in the median income level in the HMA. The National Association of Home Builders' (NAHB) Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 70.8 during the first quarter of 2019, up from 70.4 during the first quarter of 2018 (Figure 9). The HOI, however, was down from 79.2 during the first quarter of 2012, which was the highest HOI since 2010. During the first quarter of 2019, according to the HOI, 124, or 52 percent of the 237 ranked metropolitan areas and divisions in the nation were more affordable than the Philadelphia HMA, relatively unchanged compared with the first quarter of 2018. The decline in affordability in recent years was largely because of a significant decrease in median income.

Forecast

During the 3-year forecast period, demand is estimated for 6,075 new single-family homes, townhomes, and condominiums in the HMA (Table 5). The 640 homes under construction will satisfy some of this demand. Demand is expected to slightly increase each year because of improving economic conditions.

Table 5. Demand for New Sales Units in the Philadelphia HMA During the Forecast Period

	Sales Units
Demand	6,075 Units
Under Construction	640 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Sales Market—Philadelphia City Submarket

Current Conditions

The sales housing market in the Philadelphia City submarket is currently balanced. The current vacancy rate is estimated at 1.6 percent (Table 6), down from 2.2 percent in April 2010. In June 2019, the submarket had 3.0 months of available for-sale inventory, up slightly from 2.8 months of inventory in June 2018 (CoreLogic, Inc.). Sales market conditions were slightly soft from 2000 through 2008 but transitioned into balance from 2009 through 2012 because of a combination of lower levels of home construction and net in-migration. Since 2013, conditions have remained balanced despite net out-migration because the low levels of home construction have continued.

Table 6. Home Sales Quick Facts in the Philadelphia City Submarket

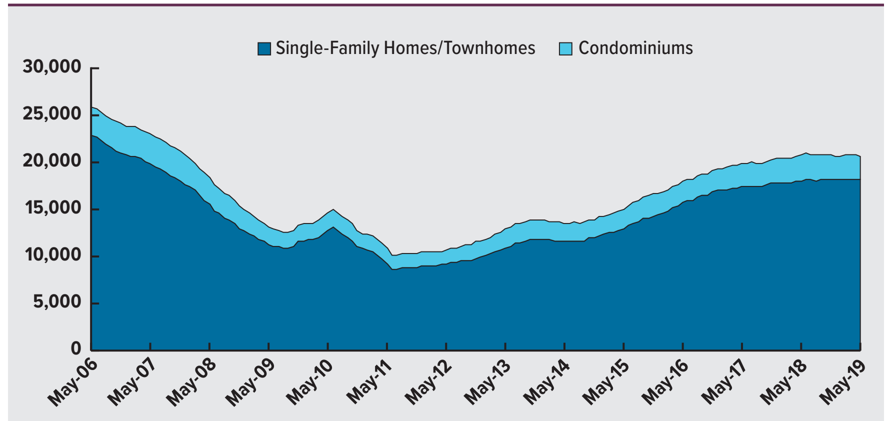
Home Sales Quick Facts		Philadelphia City	Philadelphia HMA
	Vacancy Rate	1.6%	1.5%
	Months of Inventory	3.0	2.8
	Total Home Sales	26,200	33,650
	1-Year Change	-4%	-8%
	New Home Sales Price	$450,000	$494,100
	1-Year Change	-1%	3%
	Existing Home Sales Price	$197,900	$209,300
	1-Year Change	7%	5%
	Mortgage Delinquency Rate	3.0%	2.4%

Notes: The vacancy rate is as of the current date (July 1, 2019). Home sales and prices are for the 12 months ending May 2019. Months of inventory and mortgage delinquency data are as of June 2019.
Source: CoreLogic, Inc., with adjustments by the analyst

Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes slightly increased during the past 7 years in response to steadily improving economic conditions, but sales growth slowed during the past 2 years. During the 12 months ending May 2019, approximately 18,250 new and existing single-family homes and townhomes sold, up 1 percent compared with the number of homes sold during the 12 months ending May 2018 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Home sales increased an average of 2 percent annually during the previous 2 years, compared with an average 13-percent increase in corresponding periods from 2013 through 2017. The current level of sales is up 83 percent compared with the average of 9,975 homes sold annually from 2009 through 2011 but is still down 21 percent from the 23,000 homes sold during 2005, when the housing market was strongest. Figure 10 shows the 12-month average sales totals by sales type in the submarket since 2006.

Figure 10. 12-Month Sales Totals by Type in the Philadelphia City Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Condominium Sales

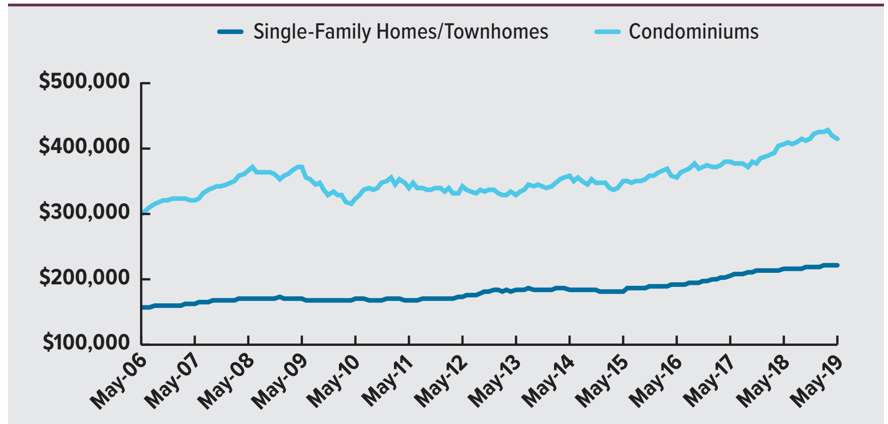
Sales of new and existing condominium units decreased during the past year after 4 consecutive years of sales growth. During the 12 months ending May 2019, approximately 2,500 new and existing condominium units sold, representing a decrease of 220 units, or 8 percent, from the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, condominium sales increased an average of 9 percent annually from the 12 months ending May 2015 through the 12 months ending May 2018. The current level of condominium sales is down 17 percent compared with the average of 3,025 units sold annually from 2005 through 2007, which is largely attributed to a significant decline in condominium construction activity.

Home Sale Prices

In response to elevated levels of home sales, the average sales price of new and existing single-family homes and townhomes increased during the past 4 years and in 7 of the past 8 years. During the 12 months ending May 2019, the average sales price of new and existing single-family homes and townhomes increased 2 percent, to $220,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average sales price increased an average of 4 percent annually during the past 8 years, and the current average price is at an all-time peak level.

The average sales price of condominiums in the Philadelphia City submarket has historically been higher than the average price of single-family homes and townhomes. This difference is because these units are primarily located in the central portions of the city, where housing prices are higher while the single-family homes and townhomes are outside the central portions of the city, where prices are lower. Additionally, the average price of new and existing condominiums is also at a peak level after increases during the past 4 years. During the 12 months ending May 2019, the average sales price of new and existing condominiums increased 2 percent, to $431,600. The average sales price increased an average of 5 percent annually during the past 5 years, and the current price is up 54 percent compared with the recent-low average price during 2005 of $280,700. Figure 11 shows the 12-month average sales price by sales type in the submarket since 2006.

Figure 11. 12-Month Average Sales Price by Type of Sale in the Philadelphia City Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

REO Properties and Delinquent Mortgages

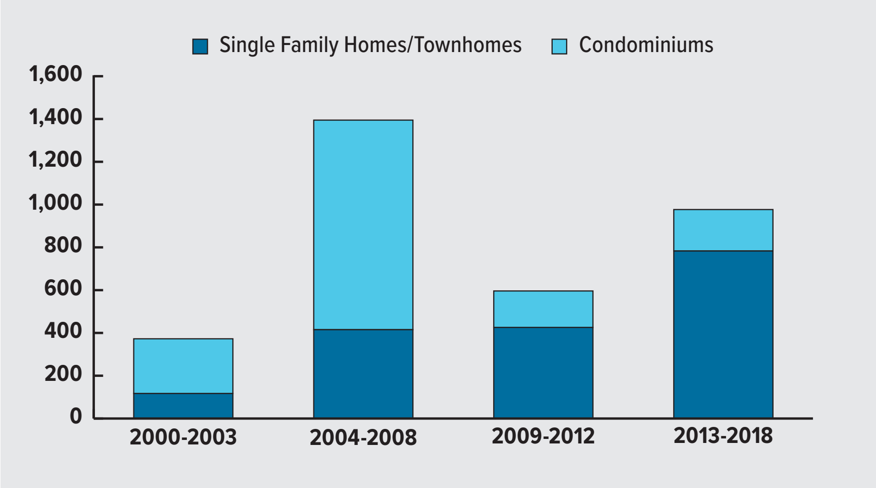
The rate of seriously delinquent home loans and REO properties in the Philadelphia City submarket has historically been the higher of the two submarkets in the HMA, which is partially attributed to an elevated unemployment rate in the submarket. In May 2019, 3.0 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 3.8 percent in May 2018 and a peak of 9.3 percent in January 2013 (CoreLogic, Inc.).

Sales Permit Activity

Sales permitting activity, as measured by the number of single-family homes, townhomes, and condominium units permitted, has increased since 2013. Permitting activity, however, is still well below construction levels during the mid-2000s, when home sales were strongest. From 2004 through 2008, an average of 1,425 sales units were permitted annually (Figure 12). Sales permitting activity slowed to an average of 610 homes permitted annually from

2009 through 2012, which is attributed to decreased home sales activity. In response to increasing home sales, sales permitting activity increased to an average of 960 units permitted annually from 2013 through 2018. During the 12 months ending June 2019, approximately 1,075 sales units were permitted, up 13 percent compared with the number of units permitted during the previous 12-month period (preliminary data with adjustments by the analyst). Since 2008, approximately one-fourth of all sales units permitted were for condominium units, down significantly from 71 percent of all sales units permitted from 2001 through 2007. The shift since 2008 is largely attributed to stronger household growth occurring in the central portions of the city, where demand for multifamily housing is primarily for rental units.

Figure 12. Average Annual Sales Permitting Activity in the Philadelphia City Submarket



Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst

New Construction

Recent construction activity includes Regent Row, a townhome community currently under construction in the Olde Kensington neighborhood. Construction of 26 of the 36 planned townhome units began in early 2019 with all units expected to be completed within the next year. All units will have three bedrooms and two-and-a-half bathrooms with prices starting at $594,900. In South Philadelphia, approximately one-half of the 313 planned townhome units at Siena Place have been completed since 2008, with the remaining units expected to be built as they are sold. Prices for these newly constructed three- and four-bedroom homes start at $475,000 and $505,900, respectively. In the condominium market, all 36 units at The Elm at Shackamaxon, located in the Fishtown neighborhood, are currently under way and expected to be completed by the end of 2019. Prices for these one- and two-bedroom condominium units start at $375,000 and $390,000, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 4,125 new single-family homes, townhomes, and condominiums in the submarket (Table 7). The 500 homes under construction will satisfy some of the demand. Demand is expected to slightly increase each year because of improving economic conditions.

Table 7. Demand for New Sales Units in the Philadelphia City Submarket During the Forecast Period

	Sales Units
Demand	4,125 Units
Under Construction	500 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Sales Market—Delaware County Submarket

Current Conditions

The sales housing market in the Delaware County submarket is currently balanced. The current vacancy rate is estimated at 1.3 percent (Table 8), down from 1.6 percent in April 2010. In June 2019, the submarket had 2.3 months of available for-sale inventory, down slightly from 2.4 months of inventory in June 2018 (CoreLogic, Inc.). Sales market conditions were balanced in 2000 but transitioned to slightly soft from 2001 through 2007 in response to strong single-family construction activity. Since 2008, construction activity has been low, causing market conditions to transition back into balance. This is in contrast with the Philadelphia City submarket, where market changes during this period were partially due to changes in migration trends.

Table 8. Home Sales Quick Facts in the Delaware County Submarket

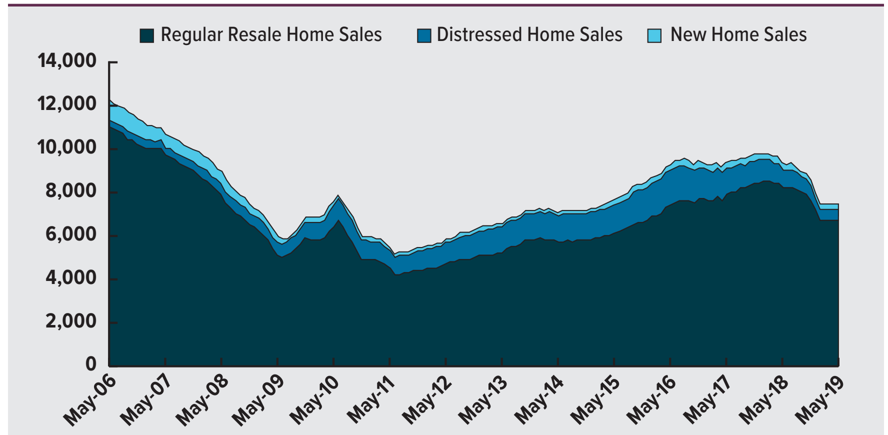
		Delaware County Submarket	Philadelphia HMA
Home Sales Quick Facts	Vacancy Rate	1.3%	1.5%
	Months of Inventory	2.3	2.8
	Total Home Sales	7,450	33,650
	1-Year Change	-20%	-8%
	New Home Sales Price	$607,500	$494,100
	1-Year Change	10%	3%
	Existing Home Sales Price	$249,900	$209,300
	1-Year Change	3%	5%
	Mortgage Delinquency Rate	2.3%	2.4%

Notes: The vacancy rate is as of the current date (July 1, 2019). Home sales and prices are for the 12 months ending May 2019. Months of inventory and mortgage delinquency data are as of June 2019.
Source: CoreLogic, Inc., with adjustments by the analyst

Existing Home Sales

Sales of existing homes (including distressed home sales and regular resales) declined during the past 2 years after 5 consecutive years of increase. During the 12 months ending May 2019, approximately 7,200 existing homes were sold, down 20 percent compared with the number of homes sold during the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). Existing home sales declined an average of 11 percent annually during the past 2 years compared with an average annual 11-percent increase during corresponding periods from 2012 through 2017. Despite the recent decline, the current level of sales is up 36 percent, compared with the 5,275 homes sold during 2011, but is still down 31 percent compared with the 10,450 homes sold during 2006. Figure 13 shows the 12-month average sales totals by sales type in the submarket since 2006.

Figure 13. 12-Month Sales Totals by Type in the Delaware County Submarket



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

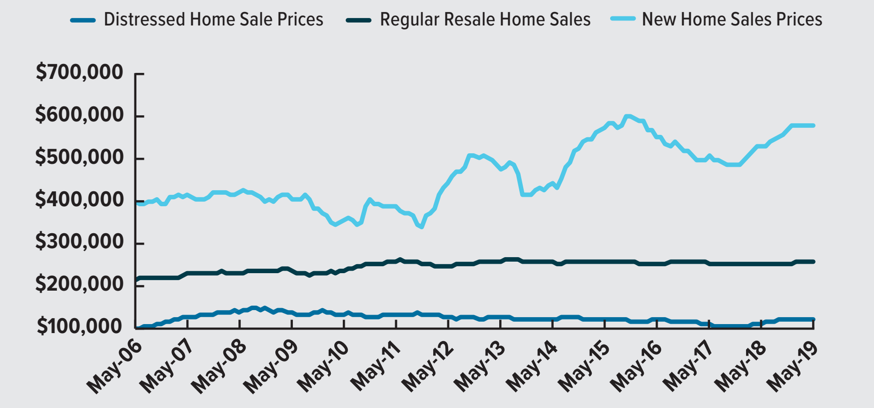
New Home Sales

Similar to existing home sales, new home sales declined during the past 2 years compared with increases during the previous 4 years. During the 12 months ending May 2019, approximately 260 new homes were sold, down 12 percent compared with the number of homes sold during the 12 months ending May 2018 (CoreLogic, Inc., with adjustments by the analyst). New home sales declined an average of 7 percent annually during the past 2 years compared with an average annual 22-percent increase in corresponding periods from 2014 through 2017. Additionally, the current level of sales is down 63 percent compared with the 710 new homes sold during 2006, when the housing market in the submarket was strongest.

Sales Prices

The average sales price of existing homes increased during the past 3 years. During the 12 months ending May 2019, the average sales price of an existing home increased 3 percent, to $249,900 (CoreLogic, Inc., with adjustments by the analyst). The average price increased an average of 3 percent annually during the past 3 years compared with an average 1-percent decline during the previous 3-year period. The recent increase was largely attributed to low-priced distressed sales making up a smaller portion of all existing home sales. During the past 3 years, approximately 10 percent of all existing sales were distressed sales, down from nearly 18 percent of all sales during corresponding periods from 2014 through 2016. During the 12 months ending May 2019, the average sales price of new homes increased 10 percent, to $607,500. The average price increased an average of 6 percent annually during the past 5 years, and the current average price is at an all-time peak level. Figure 14 shows the 12-month average sales prices by sales type in the submarket since 2006.

Figure 14. 12-Month Average Sales Price by Type of Sale in the Delaware County Submarket



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

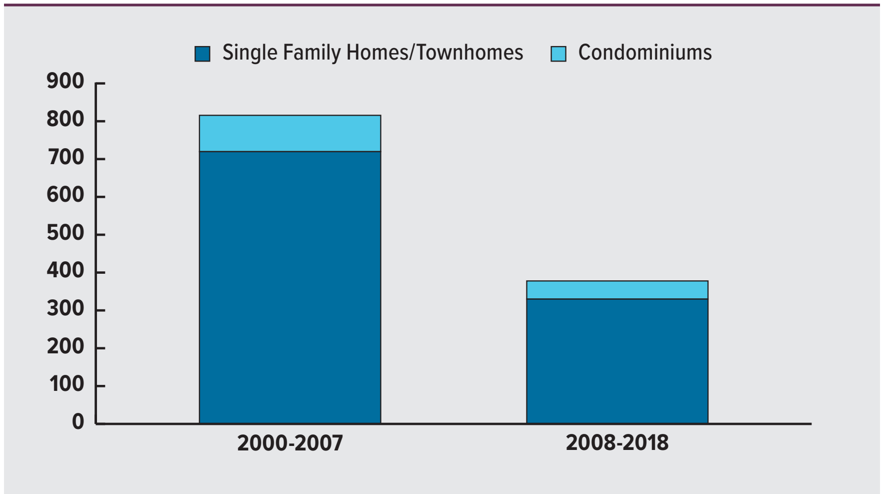
REO Properties and Delinquent Mortgages

In May 2019, 2.3 percent of home loans in the Delaware County submarket were seriously delinquent or had transitioned into REO status, down from 2.9 percent in May 2018 (CoreLogic, Inc.). The rate has declined in each of the past 6 years, and the current rate is below the 6.7-percent peak rate in January 2013.

Sales Permit Activity

Sales permitting activity in the submarket has been limited since 2008 because of low levels of home sales activity since the start of the housing crisis. From 2008 through 2018, an average of 380 sales units were permitted annually (Figure 15). By comparison, from 2000 through 2007, an average of 830 sales units were permitted annually. During the 12 months ending June 2019, approximately 330 sales units were permitted, down 12 percent compared with the number of units permitted during the previous 12-month period (preliminary data with adjustments by the analyst).

Figure 15. Average Annual Sales Permitting Activity in the Delaware County Submarket



Note: Includes single-family homes, townhomes, and condominiums.
Source: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst

New Construction

Unlike the Philadelphia City submarket, recent construction activity in the Delaware County submarket has been primarily concentrated in large-scale, single-family communities. Recent activity includes Liseter, which is a single-family home community in the town of Newtown Square. More than 55 percent of the nearly 450 planned units have been completed since 2014, and the remaining units are expected to be built as they are sold. Prices for these newly constructed three- and four-bedroom homes start at $625,000 and $747,000, respectively. Since 2018, more than 40 percent of the 77 planned townhome units have been built at Enclave at Ellis Preserve, which is also located in the town of Newtown Square, with an additional 24 units currently under construction. Prices of these newly constructed three-bedroom townhomes range from $583,000 to $724,000. The final 30 units are currently under construction at the 204-unit Athertyn, which is a condominium community in the township of Haverford.

Forecast

During the 3-year forecast period, demand is estimated for 1,950 new single-family homes, townhomes, and condominiums in the submarket (Table 9). The 140 homes under construction will satisfy some of the demand. Demand is expected to slightly increase each year because of improving economic conditions.

Table 9. Demand for New Sales Units in the Delaware County Submarket During the Forecast Period

	Sales Units
Demand	1,950 Units
Under Construction	140 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Rental Market—Philadelphia HMA

Market Conditions: Balanced

Rental market conditions are balanced in the HMA, but apartment market conditions are slightly tight.

Current Conditions and Recent Trends

The rental housing market, including apartment units and single-family homes for rent, in the HMA is currently balanced. In 2017, approximately 65 percent of all rental units were in structures with four or fewer units, up from 63 percent of all rental units in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 6.3 percent, down from 9.1 percent in April 2010 (Table 10).

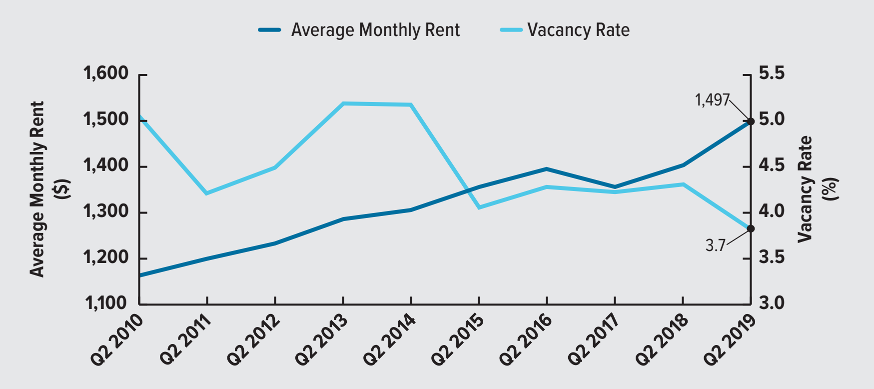
Table 10. Rental and Apartment Market Quick Facts in the Philadelphia HMA

Rental and Apartment Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.1	6.3
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	43
	Multifamily (2–4 Units)	25	22
	Multifamily (5+ Units)	37	35
	Other (Including Mobile Homes)	0	0
		Current	YoY Change
	Apartment Vacancy Rate	3.7%	-0.5
	Average Rent	$1,497	7%

YoY = year over year.
Notes: The current date is July 1, 2019. Current data for "occupied rental units by structure" are 2017 American Community Survey, 1-year data, the most recent data available.
Sources: American Community Survey, 1-year data; apartment data—RealPage, Inc.

Conditions in the apartment market are slightly tight, compared with slightly soft conditions in 2010. During the second quarter of 2019, the apartment vacancy rate in the HMA was 3.7 percent, down from 4.2 percent during the second quarter of 2018 and from the 5.0-percent rate during the second quarter of 2010 (RealPage, Inc.; Figure 16). Apartment market conditions in the HMA were slightly soft from 2000 through 2008 because of strong net out-migration. Conditions, however, transitioned into balance from 2009 through 2012 because of a combination of decreased apartment construction activity and net in-migration. Since 2013, conditions have tightened because of a shift in preference towards renting after the Great Recession. During the second quarter of 2019, the average rent was $1,497, representing an increase of 7 percent compared with the same period a year earlier.

Figure 16. Apartment Rents and Vacancy Rates in the Philadelphia HMA



Q2 = second quarter.
Source: RealPage, Inc.

Student Housing

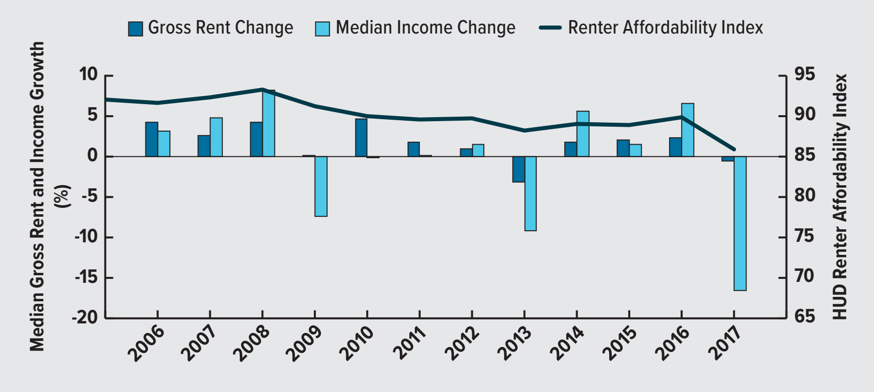
The HMA is home to more than 25 colleges and universities that house students. The total enrollment at these schools is approximately 106,000 (National Center for Educational Statistics); enrollment is estimated to have declined an average of 1 percent annually since 2010. Approximately 41 percent of the students enrolled at these colleges and universities are housed in on-campus dormitories. Of the remaining students, an estimated 85 percent reside within the HMA, and student households account for approximately 4 percent of all renter households.

Construction of new dormitories at these schools has been active in recent years. Since 2010, nearly 5,000 new dormitory units have come online. Approximately 1,425 new dormitory units are currently under construction in the HMA. Current construction activity includes The Commons at Villanova University, which will include nearly 1,150 new beds once completed in the fall of 2019.

Housing Affordability: Rental

Rental housing in the Philadelphia HMA is becoming more expensive, and rental affordability has declined since 2008 due to lower income levels and increasing rents. In 2017 (most recent data available), the median income of renter households was $27,242, down 19 percent compared with the median income in 2008 (ACS 1-year data). Additionally, from 2009 to 2017, the median monthly gross rent increased an average of 1 percent annually. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, has trended downwards. The index was 69.5 in 2017, down from 94.6 in 2008 (Figure 17).

Figure 17. Philadelphia HMA Rental Affordability



Source: American Community Survey, 1-year data

Forecast

During the 3-year forecast period, demand is estimated for 11,375 new rental units in the HMA (Table 11); nearly 90 percent of this demand will be for units in the Philadelphia City submarket. The 3,450 units under construction will satisfy some of this demand. Demand is expected to be relatively steady throughout the forecast period, but new supply should be targeted to come online during the second and third years of the forecast period because units under construction will satisfy most demand during the first year.

Table 11. Demand for New Rental Units in the Philadelphia HMA During the Forecast Period

	Rental Units
Demand	11,375 Units
Under Construction	3,450 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Rental Market—Philadelphia City Submarket

Current Conditions and Recent Trends

The rental housing market, including apartment units and single-family homes for rent, in the Philadelphia City submarket is currently balanced. In 2017, nearly 67 percent of all rental units were in structures with four or fewer units, relatively unchanged compared with 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 6.4 percent, down from 9.0 percent in April 2010 (Table 12). Rental market conditions were soft from 2000 through 2007, but transitioned into balanced from 2008 through 2012; these balanced conditions are attributed to net in-migration, especially into the central part of the city, where rental housing is more prevalent, and conditions have remained balanced since 2013.

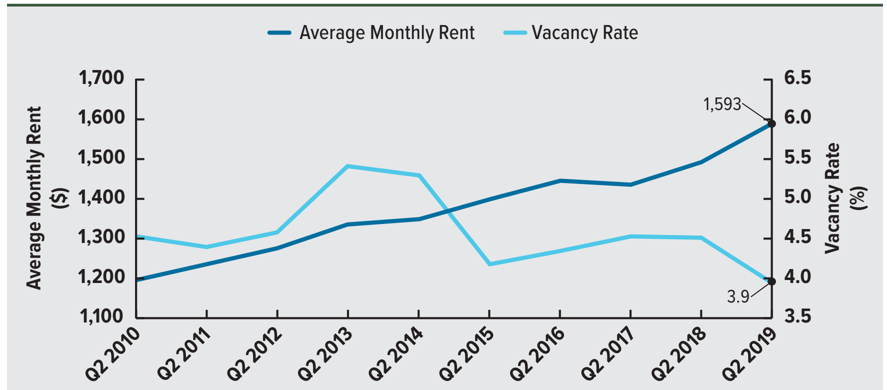
Conditions in the apartment market have tightened during the past year, and the market is currently slightly tight. Since 2010, conditions have ranged from balanced to slightly tight, but apartment vacancy rates have fluctuated because of a steady flow of newly constructed apartment units being completed. During the second quarter of 2019, the apartment vacancy rate in the submarket was 3.9 percent, down from 4.5 percent during the second quarter of 2018 (RealPage, Inc.; Figure 18). Since 2010, the second-quarter apartment vacancy rate has ranged from 3.9 percent to 5.4 percent. Within the submarket, the vacancy rate was lowest in the Northeast Philadelphia RealPage, Inc.-defined market area (hereafter, Northeast Philadelphia area) at 2.4 percent during the second quarter of 2019, down from 3.2 percent during the second quarter of 2018. The vacancy rate in the Northeast Philadelphia area has been at or below 3.7 percent during the past 5 years because of limited apartment construction activity in this portion of the submarket. During the second quarter of 2019, the average apartment rent in the Philadelphia City submarket was $1,593, up 6 percent from the same period a year earlier. The average rent has increased an average of 3 percent annually since 2012 compared with an average 1-percent increase annually from 2009 through 2011. The faster rent growth is largely attributed to an increase in

Table 12. Rental and Apartment Market Quick Facts in the Philadelphia City Submarket

Rental and Apartment Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.0	6.4
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41	45
	Multifamily (2–4 Units)	25	22
	Multifamily (5+ Units)	34	33
	Other (Including Mobile Homes)	0	0
		Current	YoY Change
	Apartment Vacancy Rate	3.9%	-0.6
	Average Rent	$1,593	6%

YoY = year over year.
Notes: The current date is July 1, 2019. Current data for "occupied rental units by structure" are 2017 American Community Survey, 1-year data, the most recent data available.
Sources: American Community Survey, 1-year data; apartment data—RealPage, Inc.

Figure 18. Apartment Rents and Vacancy Rates in the Philadelphia City Submarket



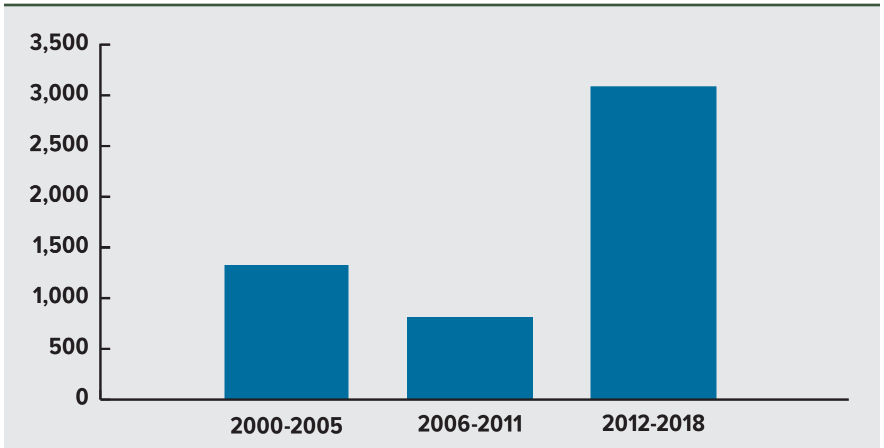
Q2 = second quarter.
Source: RealPage, Inc.

the number of high priced newly constructed apartment units coming online since 2012. Within the Philadelphia City submarket, average rents ranged from $1,074 in the Northeast Philadelphia area to $2,137 in the Center City RealPage, Inc.-defined market area.

Rental Permit Activity

Rental permitting activity, as measured by the number of rental units permitted, has been strong in the submarket since 2012 despite net out-migration. An average of 1,325 rental units were permitted annually from 2000 through 2005 (Figure 19). Building activity then declined to an average of 800 units permitted annually from 2006 through 2011. The decreased activity from 2006 through 2008 was largely attributed to continued net out-migration while strict borrowing requirements for builders kept activity low from 2009 through 2011. In response to newly constructed apartment units being absorbed at a rapid pace, rental

Figure 19. Average Annual Rental Permitting Activity in the Philadelphia City Submarket



Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst

construction activity increased to an average of 3,075 units permitted annually from 2012 through 2018. During the 12 months ending June 2019, approximately 3,700 multifamily units were permitted, down 2 percent compared with the number of units permitted during the previous 12-month period (preliminary data with adjustments by the analyst).

New Construction

Apartment construction activity in recent years has been largely concentrated in the central portions of the city, where demand for new apartment units is strongest. Recent construction activity includes The View at Old City Apartments, which is a 216-unit apartment community that was completed in early 2019. Rents for these studio, one-bedroom, and two-bedroom apartment units start at $1,550, $1,800, and $2,800, respectively. The first phase of The Hamilton, a 576-unit 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 will include 297 units. Construction is under way at the 471-unit 1300 Fairmount apartment community, which will be in the Spring Garden neighborhood and is expected to be completed in late 2020.

Forecast

During the 3-year forecast period, demand is estimated for 10,050 new rental units in the submarket (Table 13). The 3,000 units under construction will satisfy some of this demand. Demand is expected to be relatively steady throughout the forecast period, but new supply should be targeted to come online during the second and third years of the forecast period because units under construction will satisfy most demand during the first year.

Table 13. Demand for New Rental Units in the Philadelphia City Submarket During the Forecast Period

Rental Units	
Demand	10,050 Units
Under Construction	3,000 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Rental Market—Delaware County Submarket

Current Conditions and Recent Trends

The rental housing market, including apartment units and single-family homes for rent, in the Delaware County submarket is currently balanced. In 2017, approximately 56 percent of all rental units were in structures with four or fewer units, up from 54 percent in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 6.1 percent, down from 9.7 percent in April 2010 (Table 14). Rental market conditions in the submarket ranged from soft to slightly soft from 2000 through 2010 because of steady net out-migration. From 2011 through 2015, conditions transitioned to balanced in response to decreased apartment construction activity and have remained balanced since 2016.

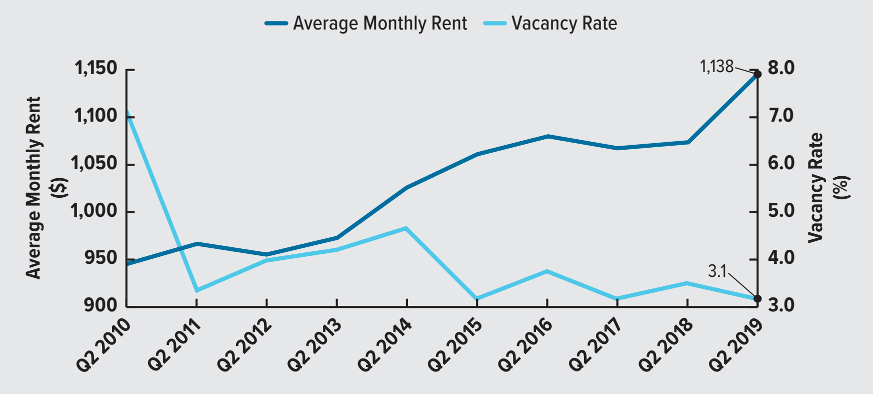
Conditions in the apartment market are slightly tight compared with soft conditions in 2010. During the second quarter of 2019, the apartment vacancy rate in the submarket was 3.1 percent, down from 3.4 percent during the second quarter of 2018 and from the 7.1-percent rate during the second quarter of 2010 (Figure 20; RealPage, Inc.). Since 2014, the apartment vacancy rate has ranged from 3.1 percent to 4.7 percent. During the second quarter of 2019, the average apartment rent increased 6 percent, to $1,138. In response to low vacancy rates, the average rent increased an average of 3 percent annually during the past 6 years. By comparison, the average rent was relatively unchanged in the corresponding periods from 2010 through 2012.

Table 14. Rental and Apartment Market Quick Facts in the Delaware County Submarket

Rental and Apartment Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.7	6.1
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	28	33
	Multifamily (2–4 Units)	26	23
	Multifamily (5+ Units)	46	44
	Other (Including Mobile Homes)	0	0
		Current	**YoY Change**
	Apartment Vacancy Rate	3.1%	-0.3
	Average Rent	$1,138	6%

YoY = year over year.
Notes: The current date is July 1, 2019. Current data for "occupied rental units by structure" are 2017 American Community Survey, 1-year data, the most recent data available.
Sources: American Community Survey, 1-year data; apartment data—RealPage, Inc.

Figure 20. Apartment Rents and Vacancy Rates in the Delaware County Submarket

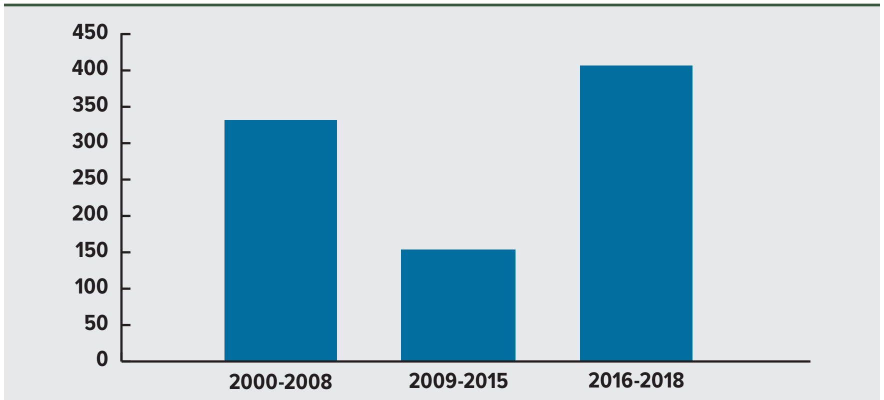


Q2 = second quarter.
Source: RealPage, Inc.

Rental Permit Activity

Rental permitting activity has been strong in the submarket since 2016 because of slightly tight apartment market conditions. From 2000 through 2008, an average of 330 rental units were permitted annually (Figure 21). In response to soft apartment market conditions, construction activity declined to an average of 150 units permitted annually from 2009 through 2015. Rental building activity, however, increased to an average of 410 units permitted annually from 2016 through 2018. During the 12 months ending June 2019, approximately 460 multifamily units were permitted, up 16 percent compared with the number of units permitted during the previous 12-month period (preliminary data with adjustments by the analyst).

Figure 21. Average Annual Rental Permitting Activity in the Delaware County Submarket



Note: Includes apartments and units intended for rental occupancy.
Source: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst

New Construction

Recent construction activity in the submarket includes the 251-unit Madison Ellis Preserve, which is located in the town of Newtown Square and was completed in mid-2018. Rents for these newly constructed one-, two-, and three-bedroom apartment units start at $1,750, $2,350, and $3,425, respectively. In the borough of Media, construction was completed in mid-2019 at 50 at Granite Run, which is a 176-unit apartment community. Rents at this community range from $1,750 to $2,200 for the one-bedroom units and from $2,250 to $2,675 for the two-bedroom units. Construction of 104 apartment units are under way at Ellis Preserve at Newtown Square; all units are expected to be completed by mid-2020.

Forecast

During the 3-year forecast period, demand is estimated for 1,325 new rental units in the submarket (Table 15). The 450 units under construction will satisfy some of this demand. Similar to the Philadelphia Submarket, demand is expected to be relatively steady during the next 3 years. New supply, however, should be targeted to come online during the second and third years of the forecast period because units under construction will satisfy all demand during the first year.

Table 15. Demand for New Rental Units in the Delaware County Submarket During the Forecast Period

	Rental Units
Demand	1,325 Units
Under Construction	450 Units

Note: The forecast period is July 1, 2019, to July 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family homes, multifamily homes, and mobile homes.
Forecast Period	7/1/2019–7/1/2022—Estimates by the analyst

B. Notes on Geography

1.	The metropolitan division definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.

2.	This analysis has been prepared for the assistance and guidance of 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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.
Cover Photo	iStock Photography

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