COMPREHENSIVE HOUSING MARKET ANALYSIS

Philadelphia, Pennsylvania

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

As of January 1, 2022

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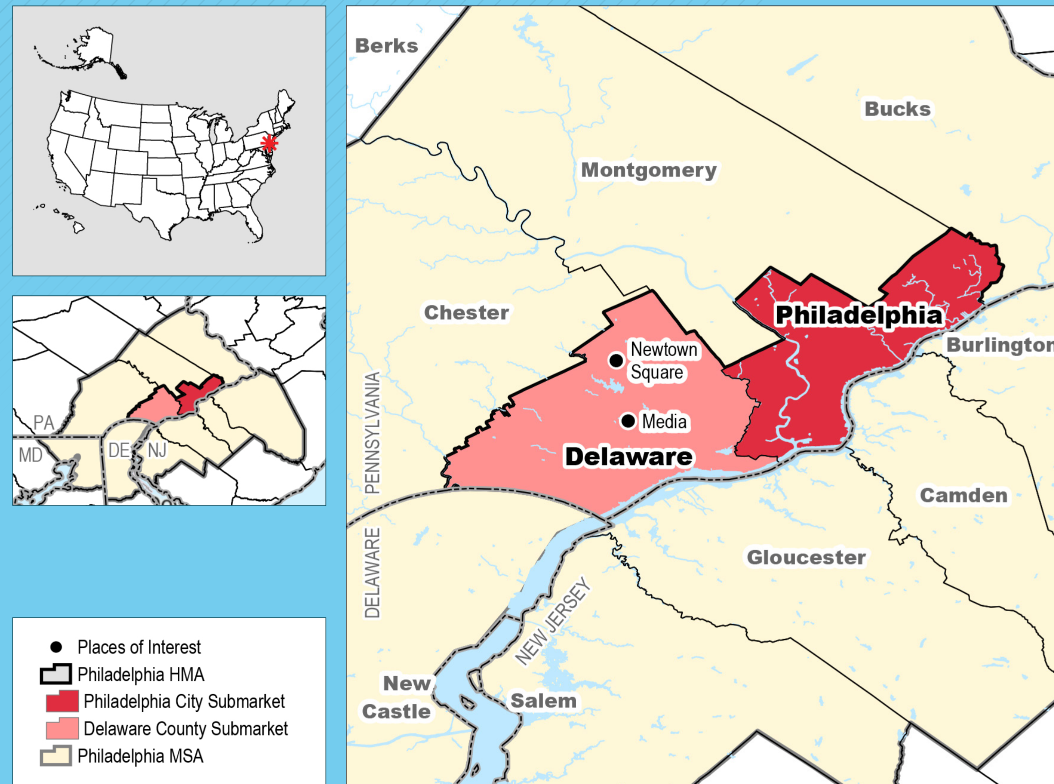
Executive Summary

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.

The current population of the HMA is estimated at 2.18 million.

The HMA is home to more than 25 colleges and universities, which, combined, enroll approximately 147,400 students (National Center for Education Statistics). The largest of those schools are Temple University and University of Pennsylvania, which have approximately 39,750 and 25,750 students, respectively.



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

Improving: During 2021, nonfarm payrolls averaged 904,800, an increase of 5,200 jobs, or 0.6 percent, compared with 2020.

Nonfarm payrolls in the Philadelphia HMA increased during the past year as the economy continued to recover from severe job losses that occurred during March and April 2020 from the COVID-19 pandemic. As of December 2021, approximately 63 percent of the jobs lost in March and April 2020 had been recovered (monthly data, not seasonally adjusted). During 2021, nonfarm payrolls were up in 7 of 11 sectors, led by the leisure and hospitality sector, which increased by 3,200 jobs, or 5.0 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 1.8 percent annually.

Sales Market

Tight: In December 2021, the HMA had 1.6 months of available for-sale housing inventory, down from 2.2 months of inventory in December 2020 (Bright MLS, Inc.).

The current sales vacancy rate in the HMA is estimated at 1.2 percent, down from the 2.0-percent rate in 2010. During 2021, new and existing home sales rose 22 percent, compared with a 6-percent increase during 2020 (Bright MLS, Inc.). During the past year, the average sales price of new and existing homes was up 10 percent, to $335,300, which was an all-time high. During the next 3 years, demand is estimated for 5,575 new homes; the 1,100 homes under construction will satisfy a portion of that demand. Nearly two-thirds of the demand for new homes in the HMA is in the Philadelphia City submarket.

Rental Market

Balanced: The overall rental vacancy rate is estimated at 6.7 percent, down from 9.1 percent in 2010.

Although the overall rental market is balanced, conditions in the apartment market are tight, compared with balanced conditions in 2010. During the fourth quarter of 2021, the apartment vacancy rate was 2.2 percent, down from 4.0 percent during the fourth quarter of 2020, and the average apartment rent rose 10 percent, to $1,724 (RealPage, Inc.). During the forecast period, demand is estimated for 11,975 new rental units, with more than 90 percent in the Philadelphia City submarket; 12,040 rental units are under construction in the HMA. Nearly 97 percent of those units are in the Philadelphia City submarket.

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3-Year Housing Demand Forecast

	Sales Units			Rental Units		
	Philadelphia HMA Total	Philadelphia City Submarket	Delaware County Submarket	Philadelphia HMA Total	Philadelphia City Submarket	Delaware County Submarket
Total Demand	5,575	3,675	1,900	11,975	10,850	1,125
Under Construction	1,100	1,000	100	12,040	11,650	390

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2022. The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

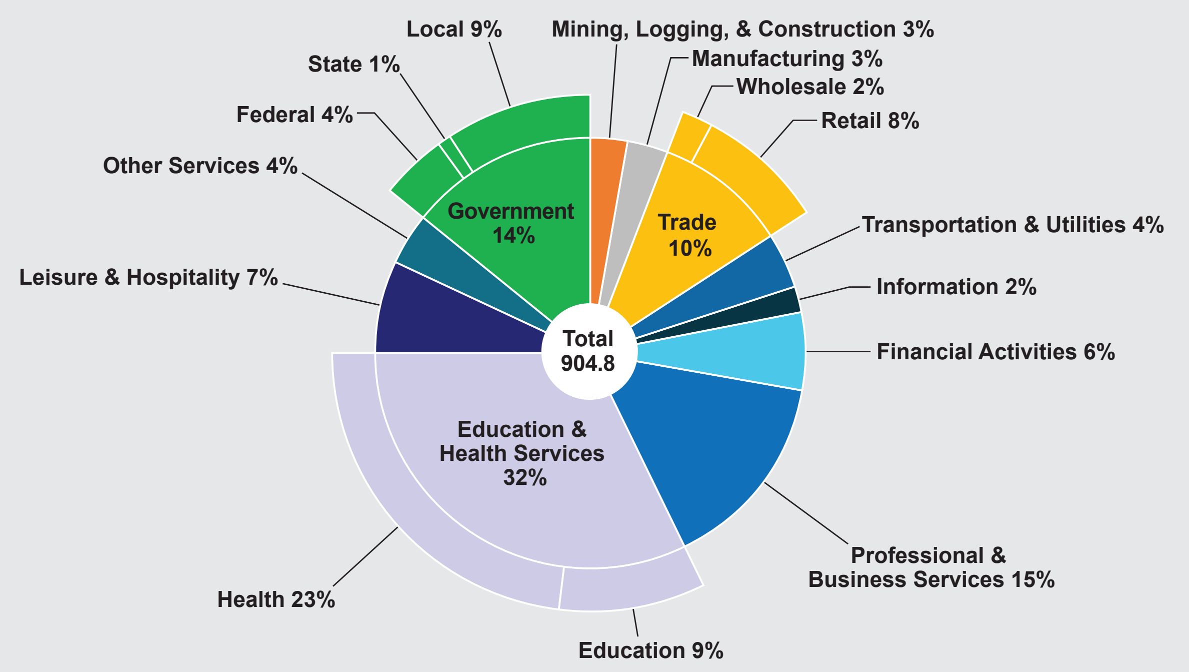
Nonfarm payrolls in the Philadelphia HMA increased during the past year, compared with a significant decline a year ago.

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 32 and 14 percent of all nonfarm payrolls, respectively (Figure 1). Higher education is a significant contributor in both of these sectors, although enrollment at public and private colleges and universities has been declining in recent years, which is partially attributed to rising tuition costs. The HMA contains more than 25 colleges and universities, with approximately 147,400 students and 48,650 employees (National Center for Education Statistics). From 2011 to 2020, total enrollment at those schools declined an average of 1 percent annually, compared with an average annual 2-percent increase from 2005 to 2011.

The education and health services sector includes six of the eight largest employers in the HMA, including University of Pennsylvania and Penn Medicine, which is the largest employer in the HMA, with 47,200 employees (Table 1). According to a study published by the University of Pennsylvania, the combined impact of the

Figure 1. Share of 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. Based on 12-month averages through December 2021.
Source: U.S. Bureau 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	47,200
Thomas Jefferson University and Jefferson Health	Education & Health Services	32,000
Children's Hospital of Philadelphia	Education & Health Services	21,950
Comcast Corporation	Information	16,400
Drexel University	Education & Health Services	10,250
Temple University Health System, Inc.	Government	9,725
Bayada Home Health Care	Education & Health Services	8,800
Einstein Healthcare Network	Education & Health Services	8,800
Temple University	Government	8,225
Independence Health Group, Inc.	Financial Activities	7,400

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

university and health system on the city of Philadelphia during the 2020 fiscal year (July 2019 through June 2020) was $15.5 billion, representing an average annual 7-percent increase since 2015 (*Invested and Engaged: Penn's FY20 Economic & Social Impact*).

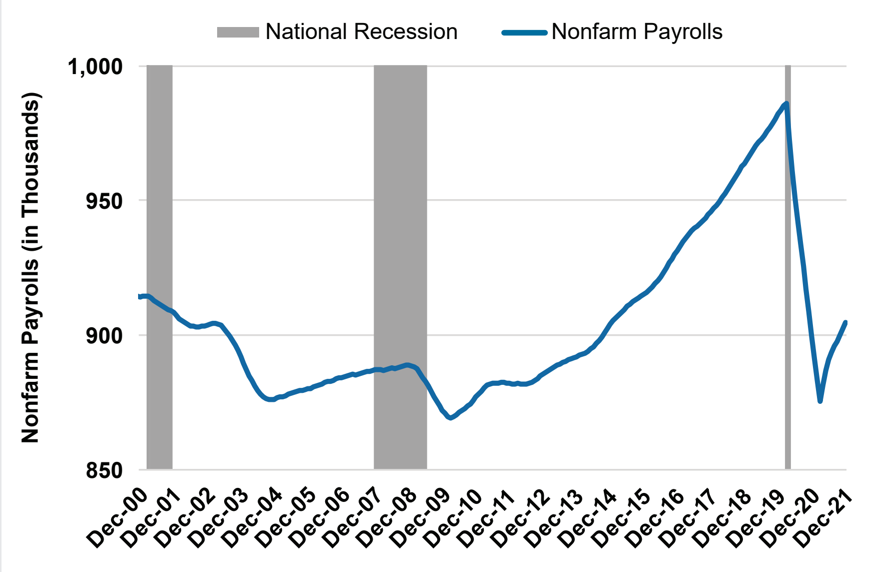
Rising tourism in the Philadelphia region, especially in the Philadelphia City submarket, has helped contribute to the economic growth in the HMA. From 2010 through 2019, tourism spending and the number of jobs supported by tourism increased an average of 4 and 2 percent annually, to $7.67 billion and 46,900 jobs, respectively (*Tourism Economics*). Because of the increased tourism, before the pandemic-related job losses during 2020, nonfarm payrolls increased at the fastest pace in the leisure and hospitality sector. From 2010 through 2019, nonfarm payrolls in the sector rose an average of 2.8 percent, or by 2,400 jobs, annually, compared with an average annual 0.3-percent increase from 2001 through 2009.

Economic Periods of Significance

A Period of Economic Growth: 2005 Through 2008

Following an average decline of 9,500 jobs, or 1.1 percent, annually from 2001 through 2004, nonfarm payrolls in the Philadelphia HMA increased each year from 2005 through 2008. Job growth in the HMA, however, was slower than the rate for the nation. During the 4-year period, nonfarm payrolls in the HMA increased by an average of 3,100 jobs, or 0.4 percent, annually, compared with an average annual 1.4-percent increase nationwide. Within the HMA, gains were largest in the education and health services and the professional and business services sectors, which were up by averages of 5,300 and 1,600 jobs, or 2.3 and 1.4 percent, respectively. In the education and health services sector, gains were in both the health care and social assistance and the educational services subsectors, which annually rose by averages of 4,200 and 1,200 jobs, or 2.6 and 1.5 percent, respectively. Partially offsetting those gains were losses in the government and the manufacturing sectors, which annually declined by averages of 1,800 and 1,100 jobs, or 1.3 and 2.4 percent, respectively. Figure 2 shows the 12-month average nonfarm payrolls in the HMA since 2000.

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



Note: 12-month moving average.
Sources: National Bureau of Economic Research; U.S. Bureau of Labor Statistics

The Impact of the Great Recession on the Philadelphia HMA: 2009

Nonfarm payrolls in the HMA declined during 2009, but the impact of the Great Recession was less severe in the HMA than in the nation overall, largely due to continued gains in the education and health services sector. During 2009, nonfarm payrolls in the HMA decreased by 16,800 jobs, or 1.9 percent, compared with a 4.3-percent decline nationwide. Approximately 57 percent of the net declines in the HMA were in the professional and business services sector and the mining, logging, and construction sector, which were down by 6,200 and 3,400 jobs, or 5.4 and 14.6 percent, respectively. 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. Partially offsetting those losses were gains in the education and health services sector, which increased by 3,000 jobs, or 1.2 percent. In response to rising enrollment throughout the 2000s, total employment at the University of Pennsylvania increased by approximately 400 jobs during 2009.

Economic Recovery and Expansion: 2010 Through 2019

The economy of the HMA recovered from the Great Recession from 2010 through 2013 and expanded from 2014 through 2019. During the 10-year period, nonfarm payrolls increased by an average of 11,000 jobs, or 1.2 percent, annually. Nonfarm payrolls during the period were up in 9 of 11 sectors, led by the education and health services, the professional and business services, and the leisure and hospitality sectors, which increased by averages of 5,000, 3,000, and 2,400 jobs, or 1.8, 2.5, and 2.8 percent, respectively. Approximately 84 percent of the gains in the education and health services sector were in the health care and social assistance subsector, which increased by an average of 4,200 jobs, or 2.2 percent, annually. In the leisure and hospitality sector, gains were partially attributed to the opening and expansions of SugarHouse Casino (later renamed Rivers Casino Philadelphia), which initially opened in 2010. Approximately 1,600 workers were employed at the casino by 2019. Partially offsetting those gains were losses in the manufacturing and the government sectors, which declined by averages of 800 and 700 jobs, or 2.1 and 0.5 percent, respectively.

Job Losses During the COVID-19 Pandemic: 2020

The interventions taken in mid-March 2020 to slow the spread of COVID-19, including enforcing social distancing and discouraging nonessential travel, caused nonfarm payrolls in the HMA to decline by 164,100 jobs, or 16.6 percent (not seasonally adjusted), during March and April 2020 and remain below the 2019 peak. During 2020, the average level of nonfarm payrolls was down by 82,400 jobs, or 8.4 percent, compared with 2019. The most affected sectors were those heavily reliant on travelers and those dependent on in-person interactions.

During 2020, the largest losses were in the leisure and hospitality sector, which decreased by 35,100 jobs, or 35.6 percent. Approximately 81 percent of the decline in the sector was in the accommodation and food services industry, which was down by 28,600 jobs, or 35.7 percent. Losses in the industry were partially attributed to a significant decline in tourism to the area that resulted from international and domestic travel restrictions that were put in place to slow the spread of COVID-19. During 2020, the average occupancy rate at hotels in the Philadelphia-Camden-Wilmington MSA was 43.6 percent, down from the 70.0-percent average occupancy rate during 2019 (CoStar Group). Additional losses during 2020 were in the education and health services and the wholesale and retail trade sectors, which declined by 13,500 and 9,000 jobs, or 4.5 and 9.3 percent, respectively.

Current Conditions—Nonfarm Payrolls

Nonfarm payrolls in the HMA have increased during the past year as a result of the easing of statewide restrictions that were put in place to slow the spread of COVID-19 and more residents receiving the COVID-19 vaccine. The economic recovery in the HMA, however, has been sluggish relative to the rest of the nation, which is partially attributed to the pandemic restrictions being phased out at a slower pace. During 2021, nonfarm payrolls in the HMA were up by 5,200 jobs, or 0.6 percent (Table 2), compared with a 2.8-percent increase nationwide. As of December 2021, the level of payrolls in the HMA was approximately 61,200 jobs, or 6.2 percent, below the February 2020 level, before the impact of the COVID-19 global pandemic (not seasonally adjusted). During the past year, the sectors that added the most jobs were generally the ones that had lost the most jobs a year earlier.

The most jobs added during 2021 were in the leisure and hospitality sector, which increased by 3,200 jobs, or 5.0 percent, but was still 33 percent below the level of payrolls in 2019, before the pandemic. Nonfarm payrolls in the food services and drinking places industry rose by 3,000 jobs, or 6.4 percent, accounting for nearly 94 percent of the total jobs added in the leisure and hospitality sector. Gains in the industry were partially attributed to statewide

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

	12 Months Ending December 2020	12 Months Ending December 2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**899.6**	**904.8**	**5.2**	**0.6**
Goods-Producing Sectors	53.3	53.9	0.6	1.1
Mining, Logging, & Construction	22.3	22.7	0.4	1.8
Manufacturing	31.0	31.2	0.2	0.6
Service-Providing Sectors	846.3	850.9	4.6	0.5
Wholesale & Retail Trade	87.9	90.4	2.5	2.8
Transportation & Utilities	37.5	36.5	-1.0	-2.7
Information	17.4	17.8	0.4	2.3
Financial Activities	57.7	56.7	-1.0	-1.7
Professional & Business Services	131.0	133.2	2.2	1.7
Education & Health Services	289.0	287.7	-1.3	-0.4
Leisure & Hospitality	63.6	66.8	3.2	5.0
Other Services	33.3	34.1	0.8	2.4
Government	129.1	127.7	-1.4	-1.1

Notes: Based on 12-month averages through December 2020 and December 2021. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

and local capacity limits on indoor dining being eased in early 2021 and mostly eliminated by mid-2021, in addition to tourism to the city accelerating. During 2021, the average occupancy rate at hotels in the Philadelphia-Camden-Wilmington MSA was 55.2 percent, up from the 43.6-percent average occupancy rate during 2020 (CoStar Group).

Additional gains during 2021 were in the wholesale and retail trade and the professional and business services sectors, which increased by 2,500 and 2,200 jobs, or 2.8 and 1.7 percent, respectively. In the wholesale and retail trade sector, gains were entirely in the retail trade subsector, which was up by 2,600 jobs, or 3.9 percent, which is partially attributed to the increased tourism to the HMA. Partially offsetting those gains were losses in the government and the education and health services sectors, which declined by 1,400 and 1,300 jobs, or 1.1 and 0.4 percent, respectively. The largest losses in the government sector were in the federal government and the local government subsectors, which declined by 600 and 500 jobs, or 1.8 and 0.6 percent, respectively. The decline in the federal government subsector was partially due to an unspecified number of workers who were hired during 2020 to help conduct the decennial census being laid off.

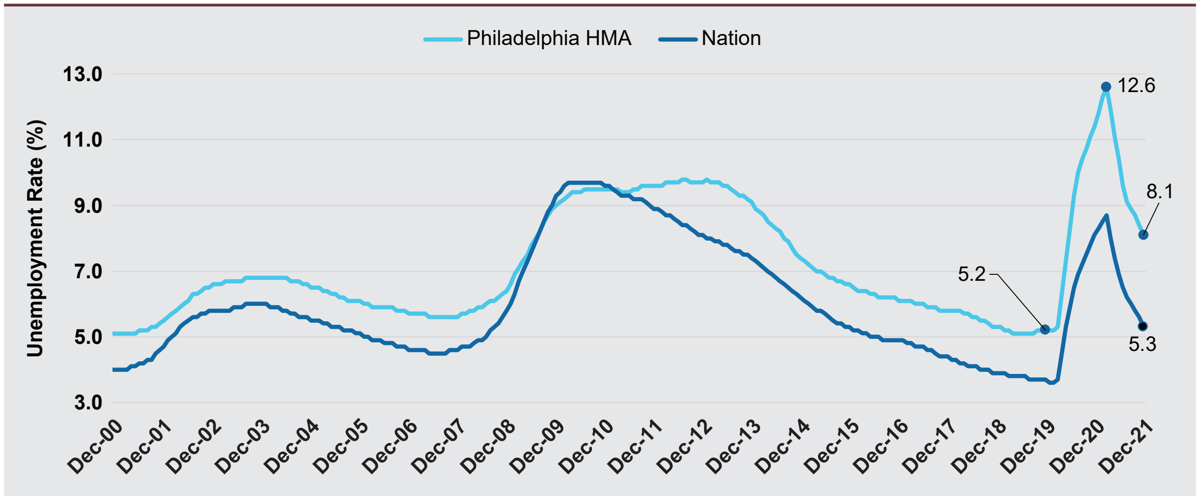
Current Conditions—Unemployment

Because of the recent job gains, the unemployment rate has declined during the past year, although the rate is still elevated relative to prepandemic rates. During 2021, the unemployment rate in the HMA averaged 8.1 percent, down from 12.6 percent during the 12 months ending March 2021, which was the highest 12-month average rate in more than 20 years (Figure 3). The current rate, however, is up from the 5.2-percent rate during 2019, which was the lowest unemployment rate in nearly 20 years. The decline in the unemployment rate during the past year was due to a combination of a 0.4-percent increase in resident employment as well as a 3.3-percent decline in the labor force. The current rate in the HMA is higher than the statewide and nationwide unemployment rates of 6.1 and 5.3 percent, respectively. In the Philadelphia City and Delaware County submarkets, the unemployment rates during 2021 averaged 8.9 and 6.1 percent, down from average rates of 12.4 and 9.1 percent, respectively, during 2020.

Commuting Patterns

A considerable number of workers commute daily both into and out of the HMA, especially within the portions of the Philadelphia-Camden-Wilmington MSA that are outside the HMA. During the 5-year period from 2011 to 2015, approximately 21 percent of the working

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



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

residents in the HMA, or approximately 184,700 residents, worked in other portions of the Philadelphia-Camden-Wilmington MSA (2011–2015 American Community Survey [ACS] 5-year data). In addition, of the nearly 945,000 people who worked in the Philadelphia HMA during that period, approximately 28 percent resided somewhere outside the HMA, including 25 percent of all workers residing in other portions of the Philadelphia-Camden-Wilmington MSA.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue to recover from the significant job losses in early 2020. Nonfarm payrolls are estimated to increase an average of 1.8 percent annually during the next 3 years. Job growth is expected to be relatively steady during the forecast period, but the total number of jobs in the HMA is not estimated to reach prepandemic levels for more than 3 years. Job gains are expected to be strongest in the leisure and hospitality and the wholesale and retail trade sectors, as concerns over COVID-19 subside and tourism into the HMA continues to increase. Additional gains are expected in the transportation and utilities and the mining, logging, and construction sectors. In the transportation and utilities sector, Amazon.com, Inc. recently announced plans to add nearly 5,000 new jobs at their fulfillment plants in the Philadelphia-Camden-Wilmington MSA, with most at their Southwest Philadelphia facility, which is in the Philadelphia City submarket. In an effort to expand its air cargo services and capture a larger portion of the market, Philadelphia International Airport recently announced plans for a $1.2 billion expansion of its air cargo facilities. Up to 5,000 construction jobs are estimated to be created while the facilities are being built, and an additional 6,000 permanent jobs, mostly in the transportation and utilities sector, are expected during the next 5 to 10 years as construction of those facilities is completed.

Population and Households

Current Population: 2.18 Million

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

Population Trends

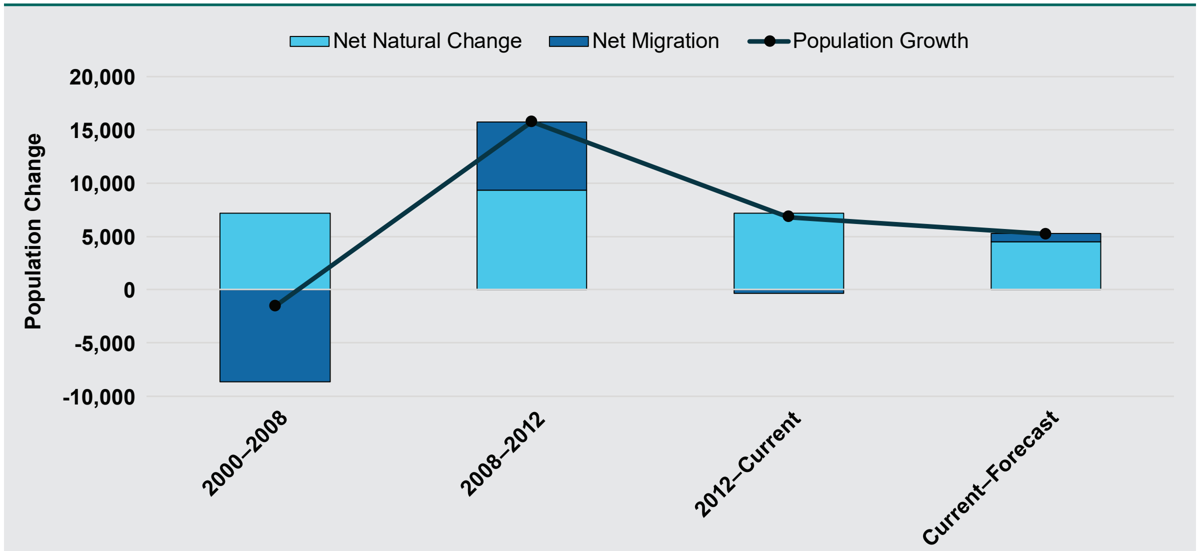
As of January 1, 2022, the estimated population of the Philadelphia HMA is approximately 2.18 million, representing an average increase of approximately 8,450, or 0.4 percent, annually since 2010, compared with an average annual gain of 1,650, or 0.1 percent, from 2000 to 2010 (Table 3). From 2000 to 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 that averaged 8,650 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, net in-migration averaged 6,450 people annually in response to job losses in the HMA not being as severe as in the nation as a whole during the national recession. The net in-migration contributed to population growth occurring each year, averaging 15,800, or 0.8 percent, annually. Net out-migration has resumed since 2012, but at a significantly lower level relative to the early-to-mid 2000s, which is largely attributed to job growth in the HMA being faster than that of the nation as a whole, which was not the case during the early-to-mid 2000s. Since 2012, net out-migration has averaged 350 people annually, which has caused population growth to slow to an average of 6,850, or 0.3 percent, annually.

Table 3. Philadelphia HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	2,084,985	2,184,000	2,200,000
	Average Annual Change	1,650	8,450	5,250
	Percentage Change	0.1	0.4	0.2
		2010	**Current**	**Forecast**
Household Quick Facts	Households	808,436	877,400	890,600
	Average Annual Change	1,200	5,875	4,375
	Percentage Change	0.2	0.7	0.5

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2022) to January 1, 2025.
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: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2022) to January 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

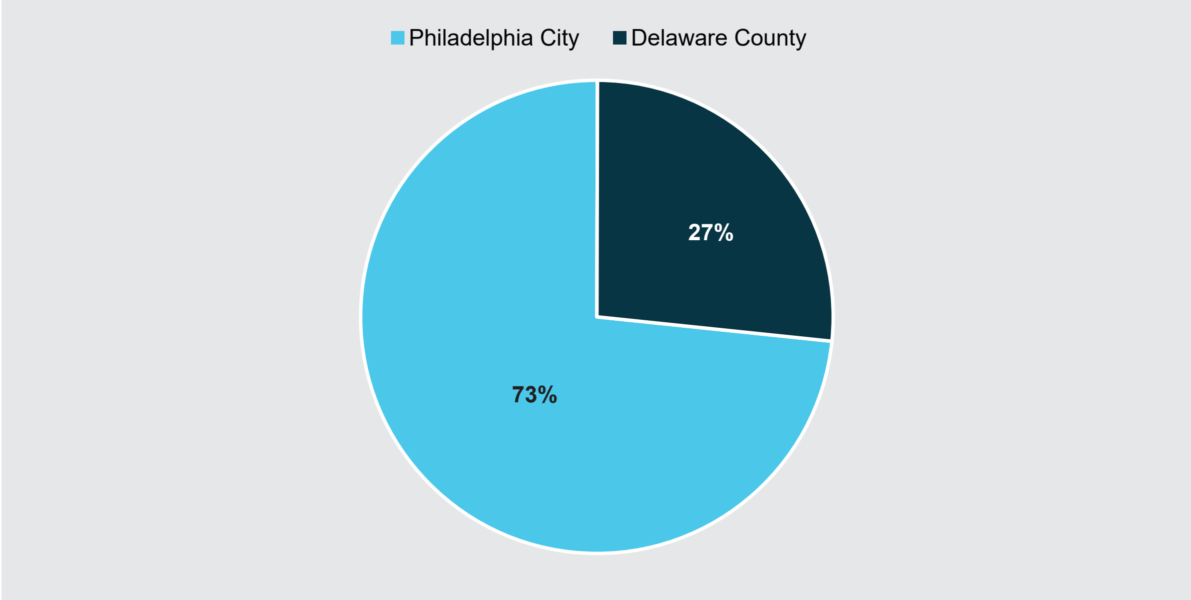
Net Natural Change

After reaching a 20-year peak of approximately 10,750 people from July 2013 to July 2014, net natural change (resident births minus resident deaths) in the HMA has declined in each of the past 7 years. From 2014 to 2020, net natural change in the HMA slowed by an average of 1,075, or 14.1 percent, annually, compared with an average annual 5.5-percent increase from 2000 to 2014. The recent decline was due to a combination of increasing resident deaths and decreasing resident births. From 2014 to 2020, resident deaths in the HMA rose by an average of 560, or 2.7 percent, annually, to 22,550 people from July 2019 through June 2020, whereas resident births declined by an average of 510, or 1.8 percent, annually, to 26,900 people from July 2019 through June 2020. In addition, net natural change is estimated to have further declined since July 2020, largely due to COVID-19-related deaths. From July 1, 2020 to December 31, 2021, an average of approximately 2,375 COVID-19-related deaths occurred annually in the HMA, compared with approximately 2,250 from the start of the pandemic through June 30, 2020 (Centers for Disease Control and Prevention).

Philadelphia City Submarket

The population of the Philadelphia City submarket is currently estimated at approximately 1.60 million, accounting for 73 percent of the total population in the HMA (Figure 5). Population trends in the submarket were similar to those of the HMA

Figure 5. Current Population in the Philadelphia HMA, by Submarket



Source: Estimates by the analyst

as a whole, as fluctuations in migration trends in the HMA have generally coincided with changes in the submarket. From 2000 through 2008, the population in the submarket declined by an average of 2,150, or 0.1 percent, annually due to strong net out-migration, which averaged 8,125 people annually. Just as with the HMA overall, the submarket had net in-migration from 2008 to 2012, which averaged 6,000 people annually, causing the population to rise by an average of 14,000, or 0.9 percent, annually. Net out-migration has resumed since 2012, averaging 1,300 people annually, which has caused population growth to slow to an average of 4,975, or 0.3 percent, annually.

Within the Philadelphia City submarket, recent growth has been stronger in the RealPage, Inc.-defined Center City market area (hereafter, market area), where less than 15 percent of the total population is located. From 2010 to 2020, the population of the Center City market area rose annually by an average of 4,500, or 2.1 percent, compared with an average annual 0.9-percent increase from 2000 to 2010. By comparison, from 2010 to 2020, the population in the rest of the submarket was up by an average of 3,275, or 0.2 percent, annually, compared with a 0.1-percent decline from 2000 to 2010. The stronger growth in the Center City portion of the submarket is largely attributed to the trend of more young professionals choosing to move into the Center City market area because of the numerous dining and entertainment options, as well as the influx of new rental housing being constructed.

Delaware County Submarket

The population of the Delaware County submarket is estimated at approximately 581,100, accounting for approximately 27 percent of the total population in the HMA. Unlike the Philadelphia City submarket, the net in-migration into the Delaware County submarket that started in 2008 has continued since 2012, including accelerated net in-migration during the past 3 years. This differing trend is largely attributed to more affordable housing options in the submarket relative to the other Pennsylvania portions of the Philadelphia-Camden-Wilmington MSA that are outside the HMA, where the average new and existing home sales price during the past year was 37 percent higher than the average price in Delaware County (CoreLogic, Inc.). From 2000 to 2008, the population in Delaware County increased by an average of 650, or 0.1 percent, annually; the slow growth was due to net out-migration, which averaged 530 people annually. Similar to the Philadelphia City submarket, from 2008 to 2012, a switch from net out-migration to net in-migration occurred in the Delaware County submarket. During the 4-year period, net in-migration averaged 450 people annually, which caused population growth to accelerate to an average of 1,775, or 0.3 percent, annually. From 2012 to 2018, net in-migration averaged 500 people annually, and the population rose by an average of 1,650, or 0.3 percent, annually. Since 2018, net in-migration has accelerated to an average of 1,700 people annually, which has caused population growth to rise to an average of 2,250, or 0.4 percent, annually.

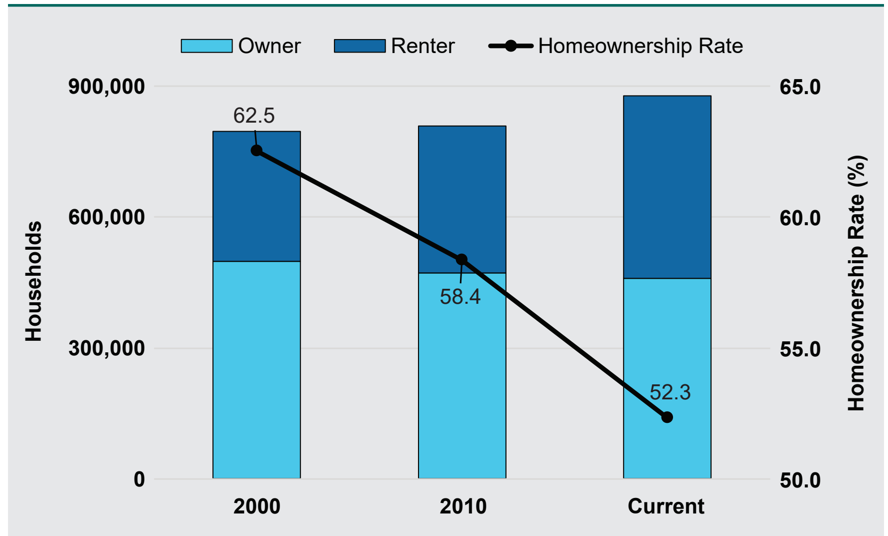
Household Trends

Household growth trends in the HMA and both submarkets have been similar to population growth trends. An estimated 877,400 households currently reside in the HMA—660,300 and 217,100 households in the Philadelphia City and Delaware County submarkets, respectively. Since 2010, the number of households in the HMA has increased by an average of 5,875, or 0.7 percent, annually. By comparison, from 2000 to 2010, the number of households increased by an average of 1,200 households, or 0.2 percent, annually. The number of households in the Philadelphia City and Delaware County submarkets has increased annually by averages of 5,150 and 710 households, or 0.8 and 0.3 percent, respectively, since 2010. By comparison, from 2000 to 2010, the number of households in the submarkets increased annually by averages of 970 and 240 households, or 0.2 and 0.1 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 6). 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 is currently estimated at 47.3 percent, down from

Figure 6. Households by Tenure and Homeownership Rate in the Philadelphia HMA



Note: The current date is January 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

54.1 percent in 2010. The significant decline was due to a combination of strong growth in renter households, especially into the Center City market area, and a decline in owner households, largely from the portions of the submarket that are outside the Center City market area. Since 2010, the number of renter households in the submarket has increased by an average of 6,175, or 2.0 percent, annually, compared with an average annual decline in owner households of 1,025, or 0.3 percent. In the Delaware County submarket, the homeownership rate is estimated at 67.6 percent, down from 70.5 percent in 2010. The decline in the rate in the submarket is due to all household growth being in renter households. Since 2010, the number of renter households in the Delaware County submarket increased by an average of 750, or 1.1 percent, annually, compared with an average annual decline in owner households of approximately 25, or less than 0.1 percent.

Student Households

The HMA is home to 26 colleges and universities that house students. The total enrollment at those schools is approximately 123,700 (National Center for Educational Statistics); enrollment is estimated to have declined an average of 1 percent annually since 2010. Approximately 31 percent of the students enrolled at those 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 an estimated 6 percent of all renter households. In the Philadelphia City and Delaware County submarkets, student households are estimated to account for approximately 5 and 7 percent of all renter households, respectively.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 5,250, or 0.2 percent, annually, reaching 2.20 million by January 1, 2025. Population growth is expected to be slow during the first year of the forecast period but accelerate during the second and third years as economic conditions in the HMA continue to improve, which will likely attract more people into the HMA for work. In the Philadelphia City and Delaware County submarkets, the populations are expected to increase by averages of 2,950 and 2,300, or 0.2 and 0.4 percent, respectively.

During the next 3 years, the number of households in the HMA is expected to increase by an average of 4,375, or 0.5 percent, annually, reaching approximately 890,600 households. In the Philadelphia City and Delaware County submarkets, the number of households are estimated to increase by averages of 3,525 and 850, or 0.5 and 0.4 percent, annually, to 670,900 and 219,700 households, respectively.

Home Sales Market
Sales Market—Philadelphia HMA

Market Conditions: Tight

Sales of new and existing homes in the HMA have surged during the past 2 years, which has caused sales market conditions to tighten.

Current Conditions

The sales housing market in the Philadelphia HMA is tight. The vacancy rate is estimated at 1.2 percent (Table 4), down from 2.0 percent in 2010. In December 2021, the HMA had 1.6 months of available for-sale housing inventory, down from 2.2 months of inventory in December 2020 and from the 10-year peak of 9.9 months of inventory in December 2010 (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. During 2020 and 2021, the average annual interest rate of a 30-year fixed-rate mortgage was 3.1 and 3.0 percent, respectively (Freddie Mac). By comparison, from 2015 through 2019, the average annual rate exceeded 3.9 percent each year, including the 10-year peak rate of 4.5 percent during 2018.

Seriously Delinquent Mortgages and REO Properties

In November 2021, 3.4 percent of home loans in the Philadelphia HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 6.0 percent in November 2020 (CoreLogic, Inc.). The rate increased from 2.5 percent in March 2020 to 6.7 percent in August 2020 due to a more-than-three-and-a-half-fold increase in the number of home loans that were 90 or more days delinquent. The increase in the rate during this period was largely attributed to households being unable to make their mortgage payments because of elevated unemployment rates. As jobs continued to be added and the unemployment rate declined, more households caught up on their payments. As a result, the number of home loans that are 90 or more days delinquent has declined 51 percent since August 2020, and the rate of homes that are seriously delinquent or transitioned into REO status has declined in each of the past 15 months. In addition, because of the forbearance programs that helped keep homes from going into foreclosure, the number of home loans that are either in foreclosure or transitioned into REO status has generally decreased during the COVID-19 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 HMA is higher than the statewide and nationwide rates of 2.3 and 2.1 percent, respectively.

Table 4. Home Sales Quick Facts in the Philadelphia HMA

Home Sales Quick Facts		Philadelphia HMA	Nation
	Vacancy Rate	1.2%	NA
	Months of Inventory	1.6	1.1
	Total Home Sales	27,150	6,883,000
	1-Year Change	22%	7%
	New Home Sales Price	$532,100	$444,700
	1-Year Change	8%	15%
	Existing Home Sales Price	$281,500	$368,500
	1-Year Change	16%	11%
	Mortgage Delinquency Rate	3.4%	2.1%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2021; and months of inventory and mortgage delinquency data are as of November 2021. The current date is January 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales—Bright MLS, Inc.; HMA home sales prices—CoreLogic, Inc.; national home sales and prices—National Association of REALTORS® and Census Bureau/HUD

Home Sales

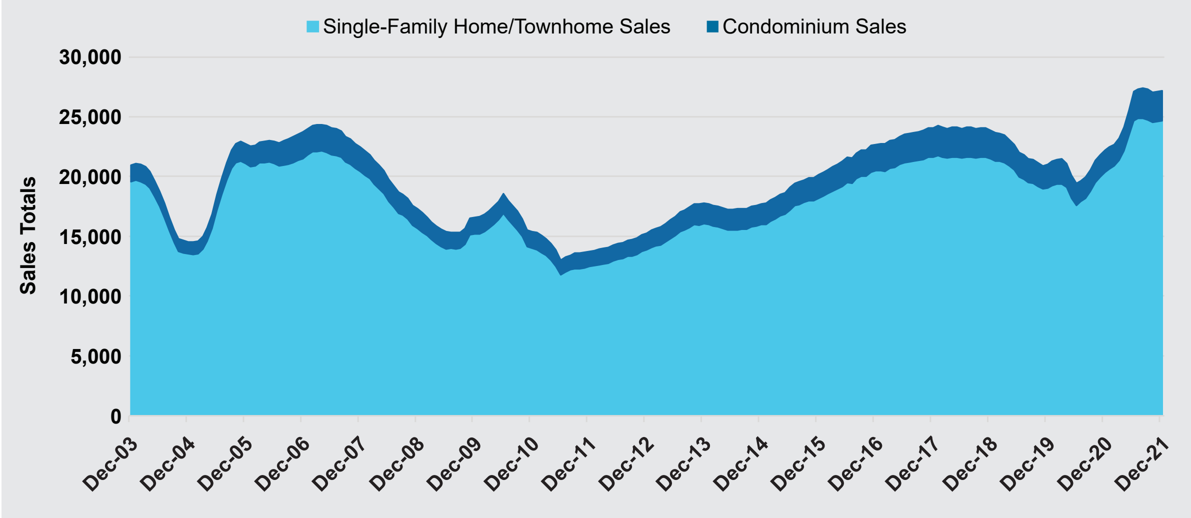
Sales of new and existing homes (including single-family homes, townhomes, and condominiums) rose during the past 2 years, including an accelerated rate of increase during the past year, and the current level of sales is at an all-time high. During 2021, approximately 27,150 new and existing homes sold, representing an increase of 4,950 homes, or 22 percent, compared with a

6-percent rise during 2020 (Bright MLS, Inc.). Home sales have increased an average of 14 percent annually since 2020, compared with an average annual 7-percent decline during 2018 and 2019, when sales were down largely in response to mortgage interest rates reaching the highest levels since the early 2010s. In addition, the current level of sales is nearly double the 13,750 homes sold during 2011, which was a 15-year low. Figure 7 shows the 12-month sales totals by unit type in the HMA since 2003, and Figure 8 shows the share of home sales by price range during 2021.

Home Sale Prices

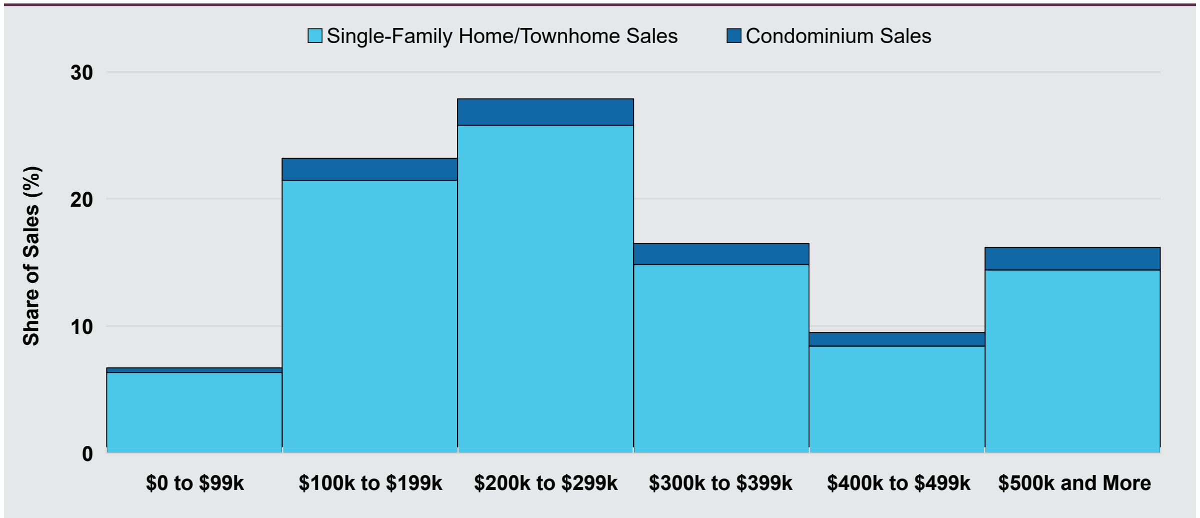
Competition for homes among potential homebuyers has increased during the past 2 years in response to declining for-sale inventory, resulting in a significant rise in the average sales price. In December 2021, nearly 30 percent of all homes in the Philadelphia HMA had a sales price that was higher than the original listing price, up from 26 percent in December 2020 and from the 17-percent rate in December 2019 (Redfin, a national real estate brokerage). During 2021, the average sales price of new and existing homes rose 10 percent, to $335,300, which was an all-time high (Bright MLS, Inc.). The average sales price has increased an average of 11 percent annually since 2020, compared with an average annual 3-percent rise from 2010 through 2019. Figure 9 shows the 12-month average sales price by unit type in the HMA since 2003.

Figure 7. 12-Month Sales Totals by Type in the Philadelphia HMA



Source: Bright MLS, Inc.

Figure 8. Share of Overall Sales by Price Range During 2021 in the Philadelphia HMA



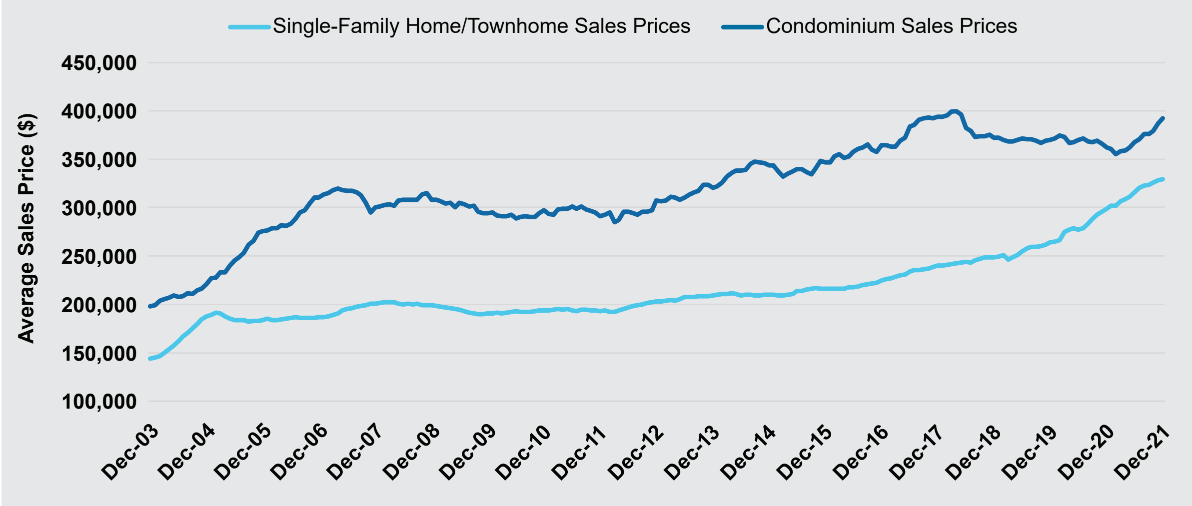
Source: Bright MLS, Inc.

The average sales price of condominiums in the HMA has historically been higher than the average price of single-family homes and townhomes. This difference is because those units are primarily located in the Philadelphia City submarket, especially in the Center City market area, where housing prices are higher. Since 2010, more than 80 percent of all condominium sales were in the Philadelphia City submarket, compared with approximately 69 percent of single-family home and townhome sales.

Housing Affordability

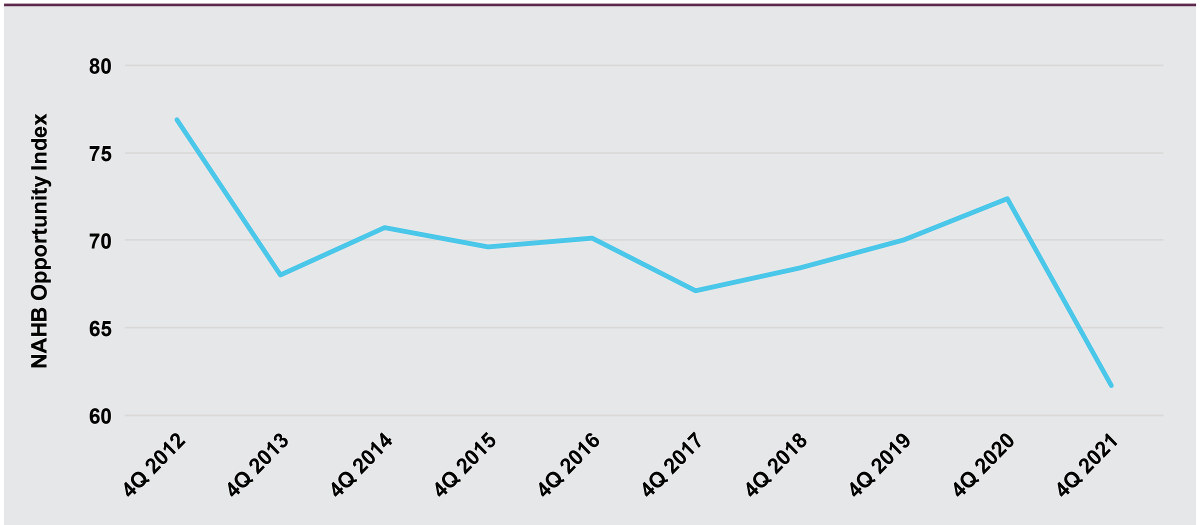
Homeownership in the Philadelphia HMA has generally been affordable, although the affordability of owning a home has declined significantly during the past year due to a combination of a 10-percent increase in the median sales price and a 5-percent decline in the median income (National Association of Homebuilders [NAHB]). The NAHB/Wells Fargo 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 61.7 during the fourth quarter of 2021, down from 72.4 during the fourth quarter of 2020 (Figure 10). During the fourth quarter of 2021, approximately 120, or 51 percent, of the 237 ranked metropolitan areas and divisions in the nation were more affordable than the Philadelphia HMA. By comparison, during the fourth quarter of 2020, approximately 53 percent of all metropolitan areas and divisions were more affordable than the HMA.

Figure 9. 12-Month Average Sales Price by Type in the Philadelphia HMA



Source: Bright MLS, Inc.

Figure 10. Philadelphia HMA Housing Opportunity Index



4Q = fourth quarter. NAHB = National Association of Home Builders.
Sources: NAHB; Wells Fargo

Forecast

During the 3-year forecast period, demand is estimated for 5,575 new homes (Table 5). The 1,100 homes under construction will satisfy some of that demand. Demand is expected to be strongest during the first year of the forecast period. During the second and third years of the forecast period, demand is expected to decline slightly because of anticipated elevated mortgage interest rates but remain relatively high because of steadily improving economic conditions.

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

Sales Units	
Demand	5,575 Units
Under Construction	1,100 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Sales Market— Philadelphia City Submarket

Market Conditions: Tight

Sales market conditions in the Philadelphia City submarket have tightened during the past 2 years.

Current Conditions

The sales housing market in the Philadelphia City submarket is tight. The vacancy rate is estimated at 1.2 percent (Table 6), down from 2.2 percent in 2020. In December 2021, the submarket had 2.0 months of available for-sale housing inventory, down from 2.8 months of inventory in December 2020 (Bright MLS, Inc.). Sales market conditions were slightly soft from 2000 through 2008 because of strong net out-migration from the submarket. Conditions transitioned from slightly soft to balanced from 2009 through 2012 because of a combination of lower levels of home construction and a switch to net in-migration, and conditions remained balanced from 2013 through 2019. Similar to the HMA overall, conditions in the submarket tightened during the past 2 years, partially due to a 12-percent decline in the number of available for-sale homes.

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

		Philadelphia City Submarket	Philadelphia HMA
Home Sales Quick Facts	**Vacancy Rate**	1.2%	1.2%
	Months of Inventory	2.0	1.6
	Total Home Sales	19,250	27,150
	1-Year Change	25%	22%
	New Home Sales Price	$517,800	$532,100
	1-Year Change	10%	8%
	Existing Home Sales Price	$266,100	$281,500
	1-Year Change	15%	16%
	Mortgage Delinquency Rate	3.6%	3.4%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2021; and months of inventory and mortgage delinquency data are as of November 2021. The current date is January 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales—Bright MLS, Inc.; HMA home sales prices—CoreLogic, Inc.; Philadelphia City submarket sales and prices—Bright MLS, Inc.

Seriously Delinquent Mortgages and REO Properties

The rate of seriously delinquent home loans and REO properties in the Philadelphia City submarket is similar to the rate in the HMA. In November 2021, 3.6 percent of home loans in the Philadelphia City submarket were seriously delinquent or had transitioned into REO status, down from 6.4 percent in November 2020 (CoreLogic, Inc.). The rate increased from 2.7 percent in March 2020 to 7.1 percent in August 2020 but has decreased or been relatively unchanged every month since September 2020.

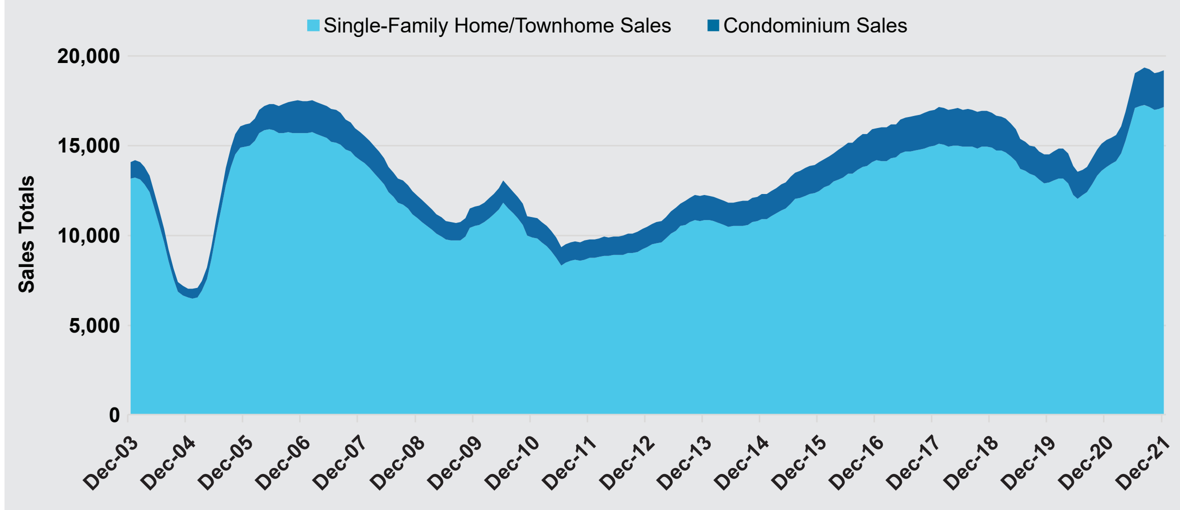
Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes have risen during the past 2 years, and the rate of increase has accelerated during the past year. During 2021, 17,150 new and existing single-family homes and townhomes were sold, representing an increase of 3,325 homes, or 24 percent, compared with a 7-percent rise during 2020 (Bright MLS, Inc.). Home sales have increased an average of 15 percent annually since 2020, compared with an average annual 7-percent decline during 2018 and 2019. After the significant increase during the past year, the current level of sales is at an all-time high level and is nearly double the 8,750 homes sold during 2011, which was the lowest level since 2004. Figure 11 shows the 12-month sales totals by unit type in the submarket since 2003, and Figure 12 shows the shares of home sales by price range during 2021.

Condominium Sales

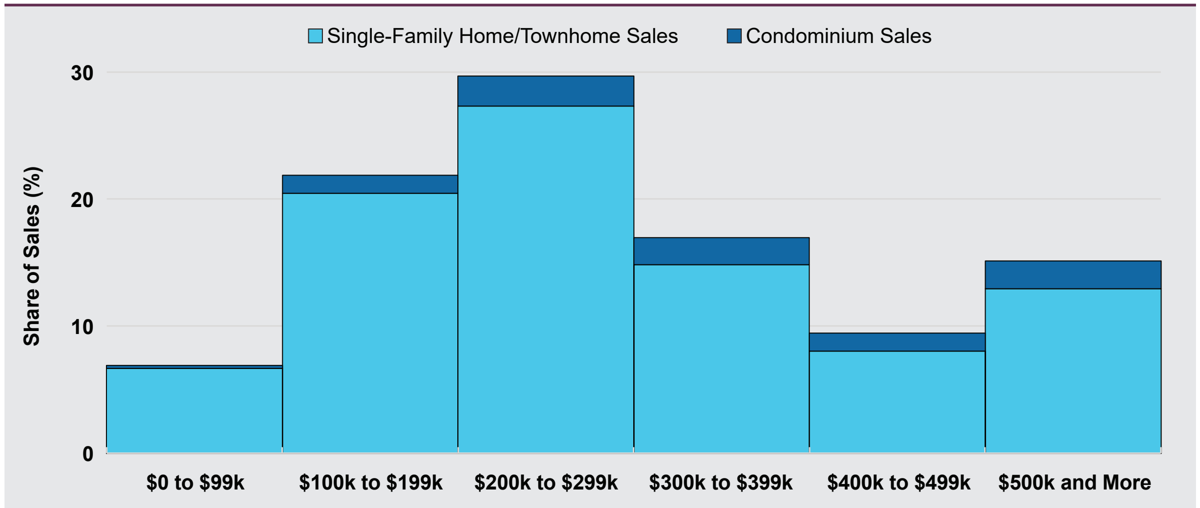
Sales of new and existing condominiums surged during the past year, and condominium sales rose at a faster pace than single-family homes and townhomes. Although the decrease in the number of available for-sale single-family homes and townhomes likely constrained the number of homes that could be sold in the submarket, the inventory of available for-sale condominiums rose, allowing the elevated demand for condominium units to be satisfied. During 2021, an average of approximately 170 condominiums were available for sale per month, up 36 percent compared with 2020 (Bright MLS, Inc.). By comparison, from 2020 to 2021, the average number of single-family homes and townhomes that were available for sale per month declined 8 percent. The rise in the number of available for-sale condominiums during the past year was largely attributed to investors that owned the units as rental properties deciding to sell them in response to tightening sales market conditions.

Figure 11. 12-Month Sales Totals by Type in the Philadelphia City Submarket



Source: Bright MLS, Inc.

Figure 12. Share of Overall Sales by Price Range During 2021 in the Philadelphia City Submarket



Source: Bright MLS, Inc.

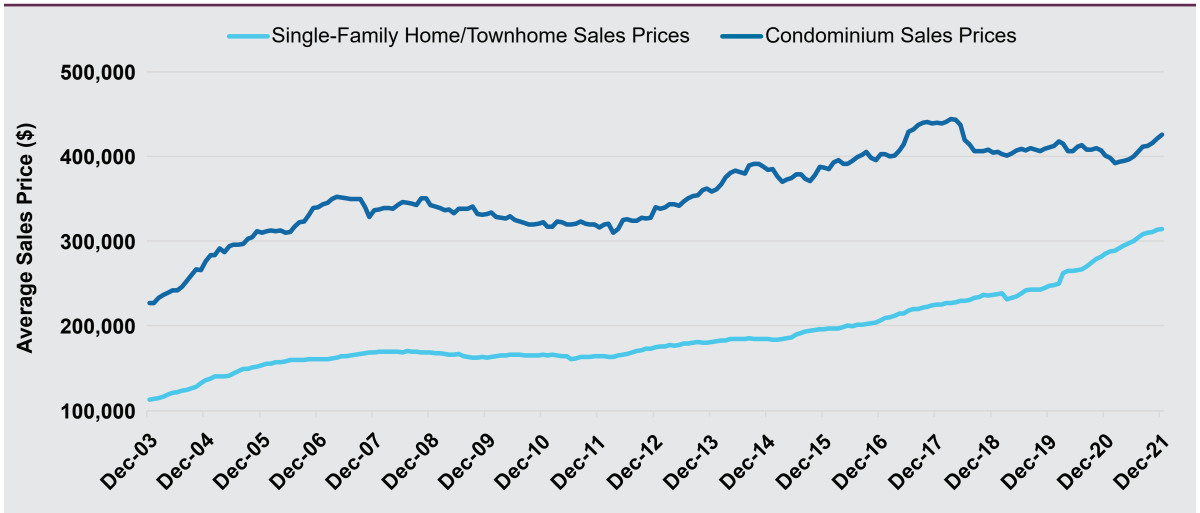
During 2021, approximately 2,050 new and existing condominiums were sold, representing an increase of 550 condominiums, or 36 percent, compared with the same period a year earlier. By comparison, condominium sales declined an average of 9 percent annually from 2018 through 2020. Because of the recent surge, condominium sales reached an all-time high, and the current level of sales is approximately double the 15-year low of 1,025 condominiums sold during 2011.

Sales Prices

Because of the strong increases in home sales, the average sales price of new and existing single-family homes and townhomes in the Philadelphia City submarket increased at a rapid pace during the past 2 years, reaching an all-time high. During 2021, the average sales price of new and existing single-family homes and townhomes rose 10 percent, to $314,600. The average sales price has increased an average of 13 percent annually since 2020, which was the fastest growth rate since 2004, when the average sales price rose 20 percent. By comparison, from 2012 through 2019, the average sales price increased an average of 5 percent annually. Figure 13 shows the 12-month average sales price by unit type in the submarket since 2003.

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 those units are primarily located in the Center City market area, where housing prices are higher, whereas the single-family homes and townhomes are outside the Center City market area, where prices are lower. During 2021, the average sales price of new and existing condominiums increased 6 percent, to $426,000, compared with an average annual 3-percent decline from 2018 through 2020, when the demand for condominiums was lower. The current average price is up 35 percent compared with the 15-year low price of $316,000 during 2011 but is down 3 percent from the all-time peak average price of $439,700 during 2017.

Figure 13. 12-Month Average Sales Price by Type in the Philadelphia City Submarket



Source: Bright MLS, Inc.

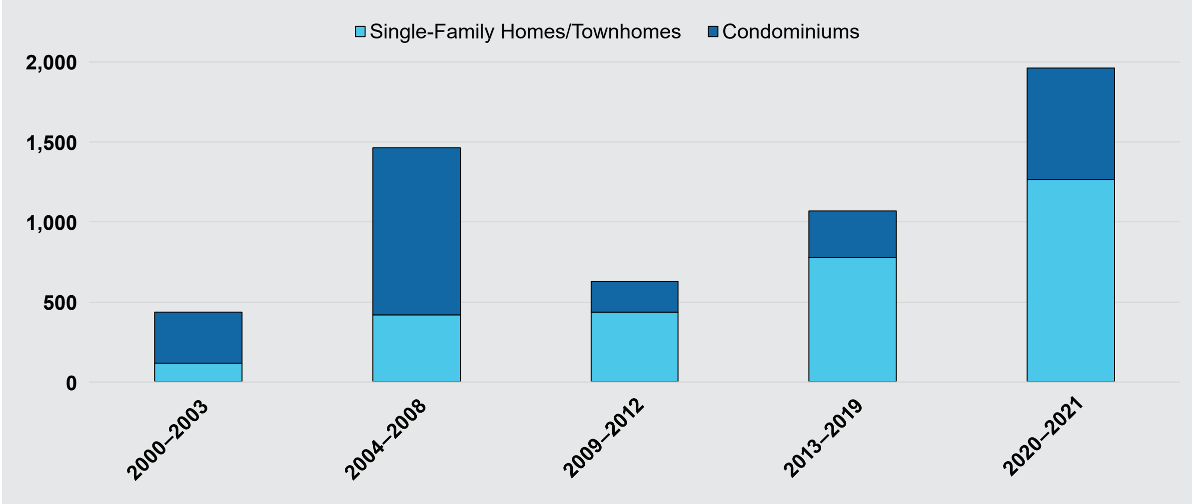
Sales Construction Activity

Because of tightening sales market conditions, sales construction activity—as measured by the number of single-family homes, townhomes, and condominiums permitted (see building permits)—has been strong during the past 2 years, especially during the past year, when sales construction activity reached the highest level in more than 20 years. Construction of sales units was strong from 2004 through 2008, averaging 1,475 sales units permitted annually (Figure 14). Sales permitting activity slowed to an average of 630 sales units permitted annually from 2009 through 2012, which is largely attributed to lower levels of home sales activity because of reduced demand stemming from the Great Recession. In response to rising home sales, however, sales construction activity rose to an average of 1,075 sales units permitted annually from 2013 through 2019 and further increased to an average of 1,975 sales units permitted annually since 2020. During 2021, approximately 2,350 sales units were permitted, up 47 percent compared with 2020 (preliminary data, with adjustments by the analyst). The strong increase during 2021 was partially attributed to the rise in demand for new owner units since the start of the pandemic being better satisfied once the statewide restrictions limiting nonessential construction activity were fully phased out. Since 2008, approximately 31 percent of all sales units permitted were for condominium units, down significantly from 75 percent of all sales units permitted from 2000 through 2007. The shift since 2008 primarily resulted from stronger household growth occurring in the Center City market area, where demand for multifamily housing is primarily for rental units.

New Construction

Because developable land is relatively limited in the Philadelphia City submarket, new construction of sales units occurs primarily in townhome and condominium developments. Recent construction includes Regent Row, which is a townhome community in the Olde Kensington neighborhood of the city. Phase 1 of the community, which has 16 townhome units, was completed in 2019, and the 20 units in the second phase are under construction. Prices for the three-bedroom townhome units range from $739,900 to $939,000. In South Philadelphia, approximately 70 percent of the 313 planned townhome units at Siena Place have been completed since 2008, with

Figure 14. Average Annual Sales Permitting Activity in the Philadelphia City Submarket



Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

the remaining units expected to be built as they are sold. Prices for the newly constructed three- and four-bedroom townhomes start at $595,900 and $625,900, respectively. In the condominium market, 13 units at Southbridge Condos, located in the Center City market area, have been completed. Prices for the one-, two-, and three-bedroom condominium units start at $425,000, $549,000, and $725,000, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 3,675 new single-family homes, townhomes, and condominiums (Table 7). The 1,000 homes under construction will satisfy some of that demand. Demand is expected to be strongest during the first year of the forecast period but remain elevated during the second and third years, as economic conditions continue to improve. Similar to recent trends, demand is expected to be strongest for townhomes and condominiums and to be spread throughout the submarket.

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

Sales Units	
Demand	3,675 Units
Under Construction	1,000 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Sales Market—Delaware County Submarket

Market Conditions: Very Tight

During the past year, sales of new and existing homes in the submarket have surged, and the average sales price reached its highest level.

Current Conditions

The sales housing market in the Delaware County submarket is currently very tight. The current vacancy rate is estimated at 1.1 percent (Table 8), down from 1.6 percent in 2010. In December 2021, the submarket had 0.7 month of available for-sale housing inventory, down slightly from 0.9 month of inventory in December 2020 and significantly lower than the 20-year peak of 10.2 months of inventory in December 2011 (Bright MLS, Inc.). Sales market conditions in the submarket were balanced from 2000 through 2005 but transitioned to slightly soft from 2006 through 2008 because of the effects of the national housing downturn. Conditions stayed slightly soft from 2009 through 2012 but transitioned to balanced from 2013 through 2018 in response to continued net in-migration and steadily improving economic conditions. Since 2018, conditions have tightened, which is partially attributed to stronger net in-migration in addition to low mortgage interest rates during the past 2 years.

Seriously Delinquent Mortgages and REO Properties

The rate of seriously delinquent home loans and REO properties in the Delaware County submarket has shown similar trends as in the Philadelphia City submarket. In November 2021, 2.8 percent of home loans in the Delaware County submarket were seriously delinquent or had transitioned into REO status, down from 5.2 percent in November 2020 (CoreLogic, Inc.). The current rate is down from the 5.8-percent rate in August 2020, which was the highest rate in more than 6 years.

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

		Delaware County Submarket	Philadelphia HMA
Home Sales Quick Facts	**Vacancy Rate**	1.1%	1.2%
	Months of Inventory	0.7	1.6
	Total Home Sales	7,925	27,150
	1-Year Change	16%	22%
	New Home Sales Price	$563,600	$532,100
	1-Year Change	1%	8%
	Existing Home Sales Price	$313,200	$281,500
	1-Year Change	16%	16%
	Mortgage Delinquency Rate	2.8%	3.4%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2021; and months of inventory and mortgage delinquency data are as of November 2021. The current date is January 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—CoreLogic, Inc.; HMA home sales—Bright MLS, Inc.; HMA home sales prices—CoreLogic, Inc.; Delaware County submarket sales and prices—Bright MLS, Inc.

Single-Family Home and Townhome Sales

Sales of single-family homes and townhomes in the Delaware County submarket, similar to those in the Philadelphia City submarket, have increased during the past 2 years and have risen at an accelerated pace during the past year. During 2021, sales of new and existing single-family homes and townhomes increased by 980 homes, or 15 percent, to 7,475 homes sold, compared with a 7-percent rise during 2020 (Bright MLS, Inc.). By comparison, during 2018 and 2019, home sales declined an average of 4 percent annually, which, similar to the Philadelphia City submarket, was partially caused by elevated mortgage interest rates. Home sales have increased in 8 of the past 10 years, and the current level of sales is nearly double the 20-year low of 3,750 homes sold during 2011. Figure 15 shows the 12-month sales totals by unit type in the submarket since 2003, and Figure 16 shows the shares of home sales by price range during 2021.

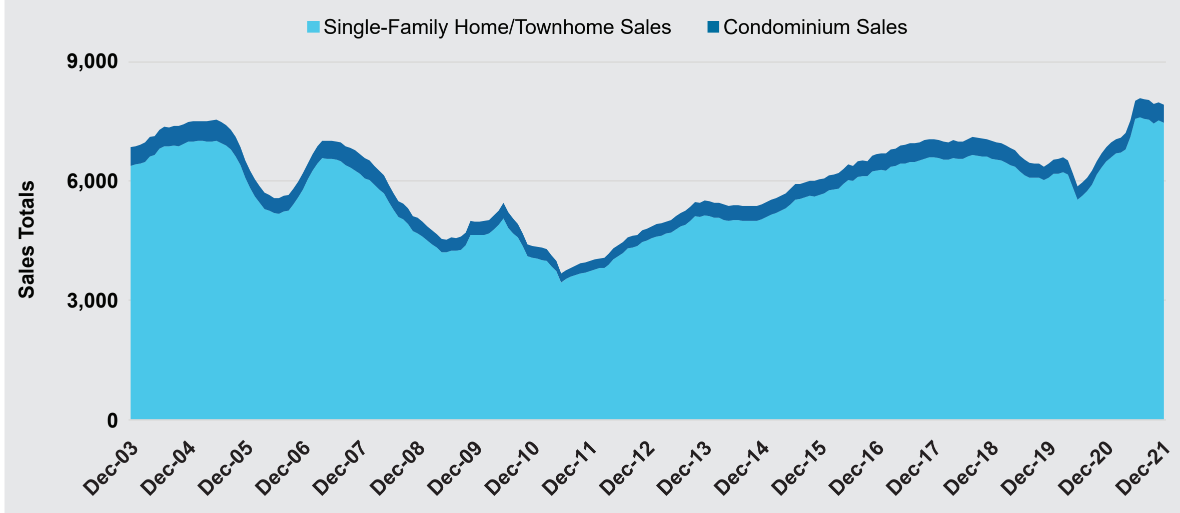
Condominium Sales

During the past year, condominium sales in the submarket rose at the fastest pace in more than 20 years. During 2021, approximately 460 new and existing condominiums sold, an increase of 90 units, or 24 percent, compared with 2020. By comparison, during 2020, condominium sales were up 3 percent compared with a year earlier. Condominium sales have risen or been relatively unchanged in 9 of the past 10 years, and the current level of sales is up 84 percent compared with the 20-year low of 250 condominiums sold during 2011. After the surge during the past year, the current level of sales is only 8 percent lower than the all-time peak level of 500 condominiums sold during 2007.

Sales Prices

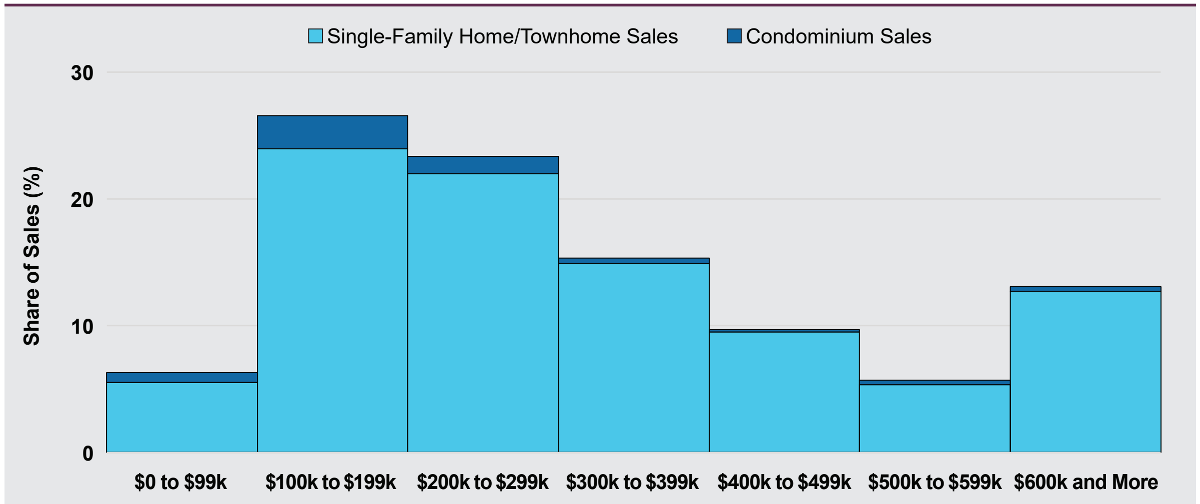
As in the Philadelphia City submarket, the average sales price of new and existing single-family homes and townhomes reached an all-time high after increasing significantly during the past 3 years. During 2021, the average sales price of new and existing single-family homes and townhomes rose 11 percent, to $363,500. The average sales price has increased an average of 10 percent annually since 2019, compared with an average annual 2-percent rise from 2016 through 2018. In addition, the current average price is 40 percent higher than the average of $259,800 during 2015, which was the lowest average

Figure 15. 12-Month Sales Totals by Type in the Delaware County Submarket



Source: Bright MLS, Inc.

Figure 16. Share of Overall Sales by Price Range During 2021 in the Delaware County Submarket



Source: Bright MLS, Inc.

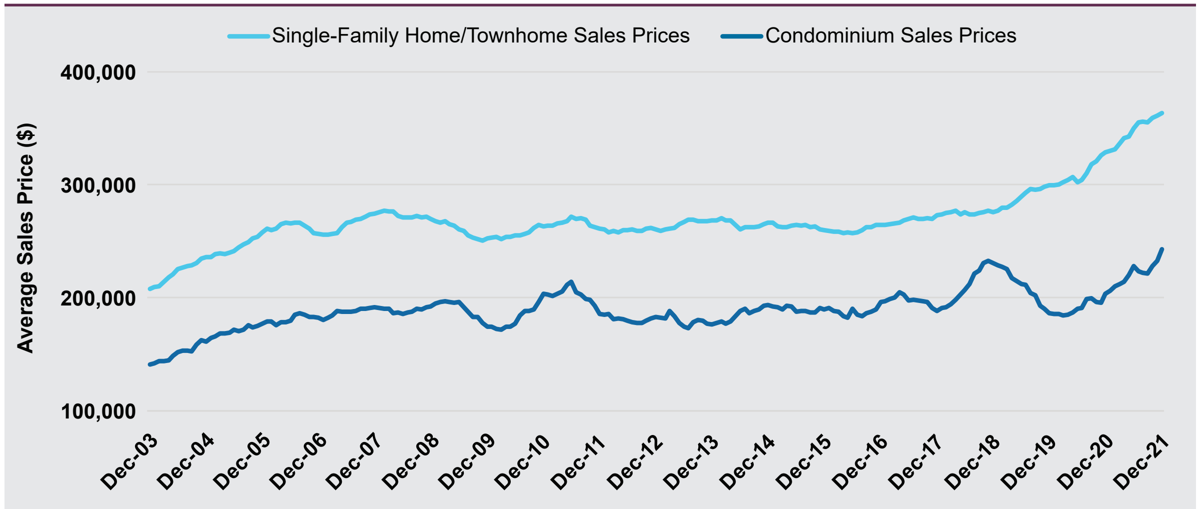
price since 2009. Figure 17 shows the 12-month average sales price by unit type in the submarket since 2003.

In response to a surge in condominium sales, the average sales price of new and existing condominiums increased significantly during the past year, reaching an all-time high. During 2021, the average sales price of new and existing condominiums rose 19 percent, to $242,900, compared with a 9-percent increase during 2020. The average sales price has increased in 5 of the past 8 years, and the current price is up 38 percent compared with the average price of $176,400 during 2013, which was the lowest price during the 2010s.

Sales Construction Activity

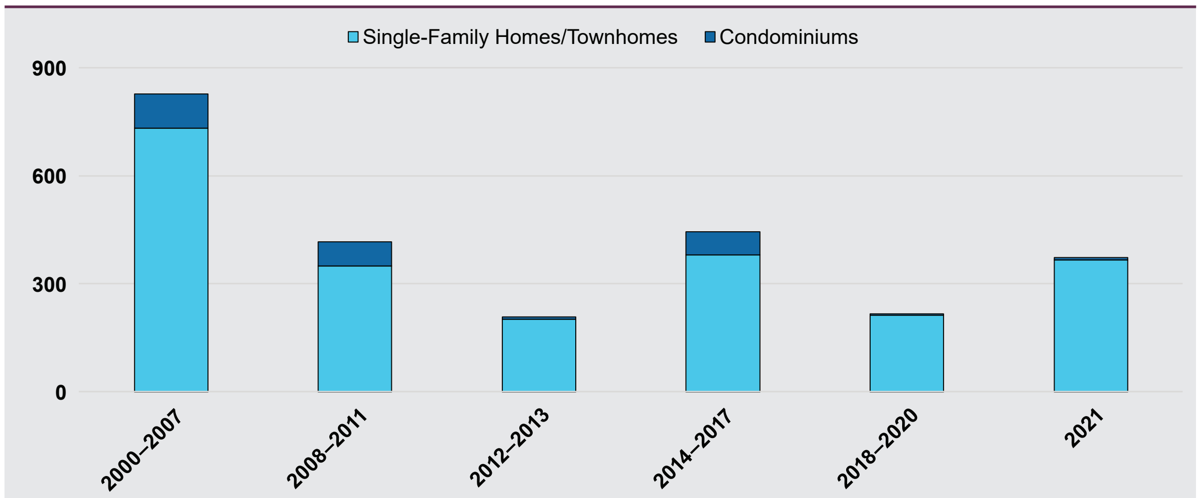
In response to tightening sales market conditions, sales construction activity in the submarket rose during the past year. Construction activity, however, is still well below activity during the early-to-mid-2000s. From 2000 through 2007, an average of 830 sales units were permitted annually (Figure 18). In response to lower levels of home sales and stricter borrowing requirements for builders, however, sales construction activity slowed to an average of 420 sales units permitted annually from 2008 through 2011 and to an average of 210 sales units permitted annually during 2012 and 2013. Rising levels of home sales contributed to sales construction activity increasing to an average of 440 sales units

Figure 17. 12-Month Average Sales Price by Type in the Delaware County Submarket



Source: Bright MLS, Inc.

Figure 18. Average Annual Sales Permitting Activity in the Delaware County Submarket



Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

permitted annually from 2014 through 2017 before declining to an average of 220 sales units permitted annually from 2018 through 2020. The lower levels of construction activity during 2018 and 2019 were largely attributed to decreasing home sales activity, whereas the limited construction activity during 2020 resulted partially from the statewide restrictions limiting nonessential construction activity due to the COVID-19 pandemic. During 2021, approximately 370 sales units were permitted—more than double the number of sales units permitted during 2020, when only 170 units were permitted (preliminary data, with adjustments by the analyst). Since 2015, approximately 1 percent of all sales units permitted were for condominium units, down significantly from approximately 14 percent from 2000 through 2014. The limited construction of new condominiums in recent years was largely attributed to lower levels of demand in the submarket for smaller sized condominium units relative to larger sized single-family homes and townhomes.

New Construction

Recent construction activity in the submarket includes Edgmont Preserve, which is a single-family home community that is currently under construction in Newtown Square. The community will have 165 homes once completed; prices for the newly constructed three-, four-, and five-bedroom homes start at $808,800, $950,000, and $1.11 million, respectively. Construction is also underway in the Franklin Station townhome community, which is in the borough of Media. Approximately 83 percent of the 229 planned townhomes in this community have either been completed or are under construction, and the remaining homes are expected to be completed within the next 3 years. Prices for the newly constructed three-bedroom, three-bathroom townhomes range from $492,400 to $780,000.

Forecast

During the 3-year forecast period, demand is estimated for 1,900 new single-family homes, townhomes, and condominiums (Table 9). The 100 homes under construction will satisfy some of that demand, which is expected to be strongest during the first year. As in the Philadelphia City submarket, demand is still expected to stay strong during the second and third years of the forecast period. Demand is estimated to be spread throughout the submarket and be primarily for single-family homes and townhomes.

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

	Sales Units
Demand	1,900 Units
Under Construction	100 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Rental Market

Rental Market—Philadelphia HMA

Market Conditions: Balanced

The overall rental market in the HMA is currently balanced, but conditions are tight in the apartment market.

Current Conditions and Recent Trends

The rental housing market in the Philadelphia HMA—including single-family homes, townhomes, condominiums, and mobile homes for rent—is currently balanced. The overall vacancy rate is estimated at 6.7 percent, down from 9.1 percent in 2010 (Table 10). In 2019, approximately 38 percent of all renter households lived in single-family homes, unchanged compared with 2010 (ACS 1-year data). In addition, 23 percent of all renter-occupied units were in structures with two to four units, down slightly from 25 percent in 2010. Multifamily buildings with five or more units, typically apartments, accounted for 39 percent of all occupied rental units in 2019, up slightly from 37 percent in 2010.

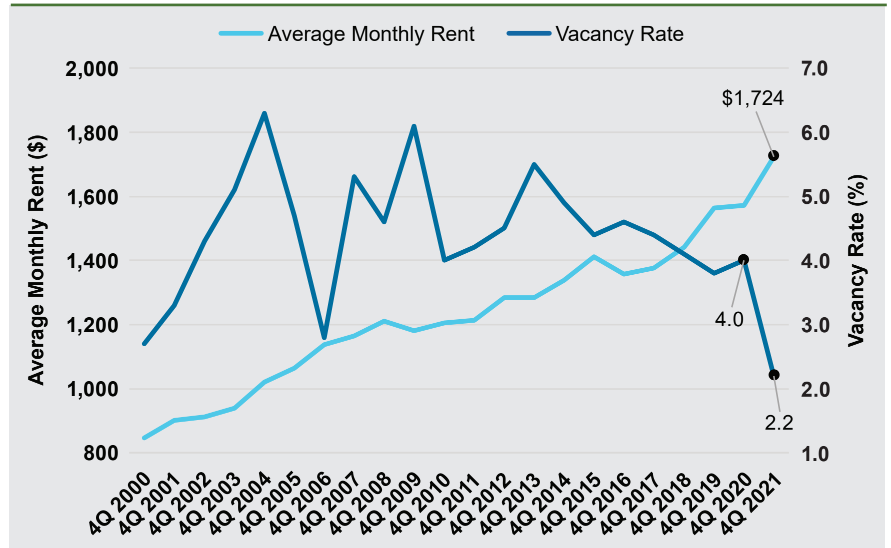
Conditions in the apartment market are currently tight, compared with balanced conditions in 2010. Conditions were balanced from 2010 through 2020 but tightened during the past year, partially because more people have been moving into the Center City market area, where apartments are primarily located. During the fourth quarter of 2021, the apartment vacancy rate was 2.2 percent, down from 4.0 percent during the fourth quarter of 2020 (Figure 19; RealPage, Inc.). From 2010 through 2020, the fourth quarter vacancy rate ranged from 3.8 percent during 2019 to 5.5 percent in 2013. During the fourth quarter of 2021, the average apartment asking rent was $1,724, up 10 percent from the fourth quarter of 2020. By comparison, from 2010 through 2020, the average rent increased an average of 3 percent annually.

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

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	9.1	6.7
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	38	38
	Multifamily (2–4 Units)	25	23
	Multifamily (5+ Units)	37	39
	Other (Including Mobile Homes)	0	0
Apartment Market Quick Facts		4Q 2021	YoY Change
	Apartment Vacancy Rate	2.2	-1.8
	Average Rent	$1,724	10%

4Q = fourth quarter. YoY= year-over-year.
Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Figure 19. Apartment Rents and Vacancy Rates in the Philadelphia HMA



4Q = fourth quarter.
Source: RealPage, Inc.

Forecast

During the 3-year forecast period, demand is estimated for 11,975 new rental units in the HMA (Table 11). Demand is estimated to be relatively steady during the forecast period but slightly increase during the second and third years when the number of people moving into the HMA is expected to accelerate. There are currently 12,040 rental units under construction in the HMA.

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

Rental Units	
Demand	11,975 Units
Under Construction	12,040 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Rental Market—Philadelphia City Submarket

Market Conditions: Balanced

The overall rental market in the Philadelphia submarket has remained balanced since 2013.

Current Conditions and Recent Trends

The rental housing market in the Philadelphia City submarket—including apartments and other rental units such as single-family, multifamily, and mobile homes—is currently balanced. The overall vacancy rate is estimated at 6.8 percent, down from 9.0 percent in 2010 (Table 12). Rental market conditions were soft from 2000 through 2007 but transitioned to balanced from 2008 through 2012 because of net in-migration, and conditions have remained balanced since 2013. In 2019, approximately 39 percent of all renter-occupied units were single-family homes, down from 41 percent in 2010 (ACS 1-year data). In addition, 23 percent of all renter-occupied units were in structures with two to four units, down from 25 percent in 2010.

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

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	9.0	6.8
		2010 (%)	**2019 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41	39
	Multifamily (2–4 Units)	25	23
	Multifamily (5+ Units)	34	38
	Other (Including Mobile Homes)	0	0
Apartment Market Quick Facts		**4Q 2021**	**YoY Change**
	Apartment Vacancy Rate	2.5	-2.0
	Average Rent	$1,824	10%

4Q = fourth quarter. YoY= year-over-year.
Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Multifamily buildings with five or more units, typically apartments, accounted for 38 percent of all occupied rental units in 2019, up from 34 percent in 2010; that increase is largely attributed to strong apartment construction activity.

Conditions are tight in the apartment market, compared with balanced conditions in 2010. During the fourth quarter of 2021, the apartment vacancy rate was 2.5 percent, down significantly from 4.5 percent during the fourth quarter of 2020 (Figure 20; RealPage, Inc.). From 2010 through 2020, apartment market conditions in the submarket ranged from balanced to slightly soft, and the fourth quarter vacancy rate ranged from lows of 4.0 percent in 2010 and 2019 to a high of 5.6 percent in 2013. Conditions tightened during the past year, however, which is largely attributed to more people moving into the Center City market area, where more than 35 percent of all apartment units in the submarket are located.

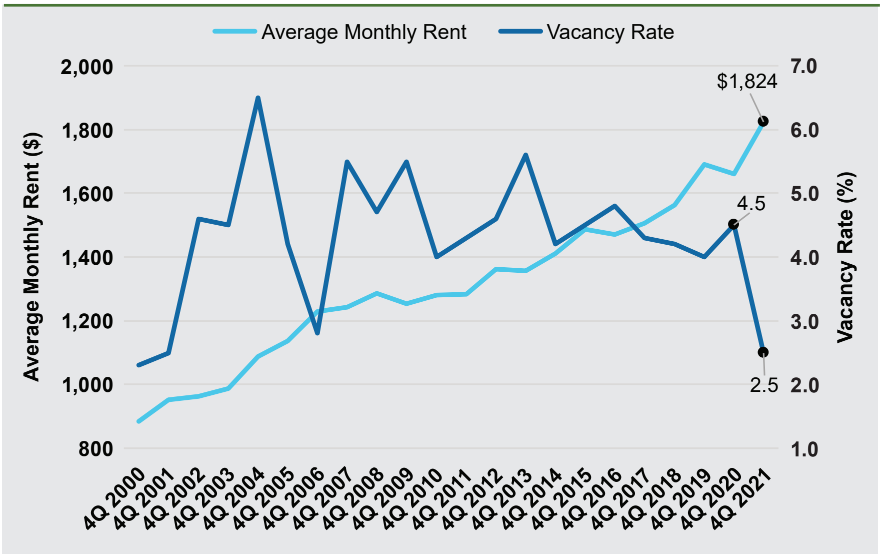
During the fourth quarter of 2021, vacancy rates were down in all four RealPage, Inc.-defined market areas that make up the Philadelphia City submarket, led by the 3.6-percentage-point decline, to 1.6 percent, in the Southwest Philadelphia market area, where construction activity has slowed during the past year. In the Center City market area, the apartment vacancy rate was 3.9 percent, down from the 7.0-percent rate during the same period a year earlier. The fourth quarter vacancy rate in the Center City market area in 2021 was the lowest rate in more than 10 years. In the Northwest Philadelphia and the Northeast Philadelphia market areas, where the availability of apartments is relatively lower than in the rest of the submarket, the vacancy rates were 1.9 and 1.8 percent during the fourth quarter of 2021, down from 2.4 and 2.5 percent, respectively, during the same period a year earlier.

In response to declining vacancy rates throughout the submarket, the average apartment rent rose at the fastest pace in more than 15 years. During the fourth quarter of 2021, the average apartment rent in the Philadelphia City submarket increased 10 percent, to $1,824, compared with an average annual 3-percent rise from 2010 through 2020. Average rents were up in all four market areas, led by a 10-percent increase in the Center City market area to $2,364, the highest asking rent among the four market areas. In the Northeast Philadelphia, Southwest Philadelphia, and Northwest Philadelphia market areas, the average rents increased 8, 7, and 6 percent, to $1,264, $1,788, and $1,587, respectively.

Rental Construction Activity

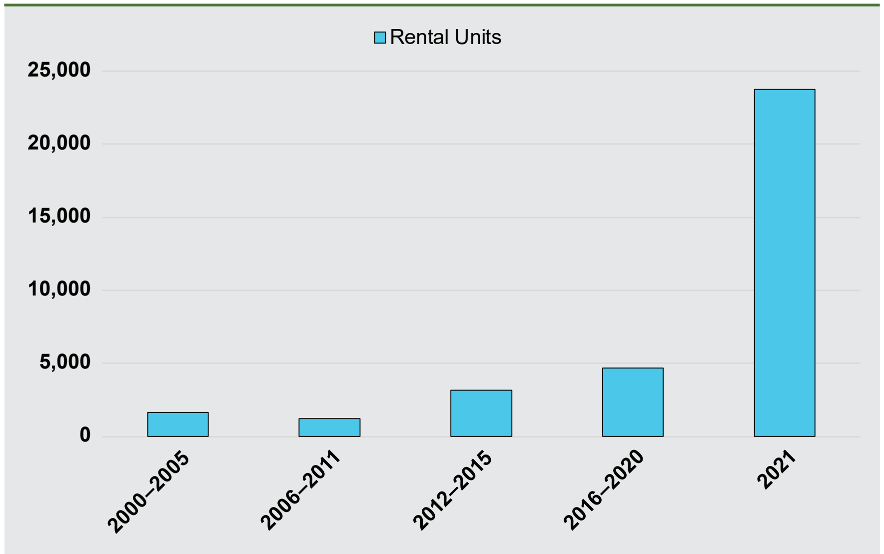
Rental construction activity, as measured by the number of rental units permitted, has been strong during the past 10 years, especially since 2016. An average of 1,625 rental units were permitted annually from 2000 through 2005 (Figure 21). Building activity then declined to an average of 1,225 units permitted annually from 2006 through 2011. The decreased activity from 2006

Figure 20. Apartment Rents and Vacancy Rates in the Philadelphia City Submarket



4Q = fourth quarter.
Source: RealPage, Inc.

Figure 21. 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 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

through 2008 was largely attributed to continued strong net out-migration, whereas strict borrowing requirements for builders kept activity low from 2009 through 2011. In response to newly constructed apartment units being absorbed at a strong pace, rental construction activity increased to an average of 3,175 units permitted annually from 2012 through 2015 and further rose to an average of 4,700 units permitted annually from 2016 through 2020. During 2021, approximately 23,750 rental units were permitted— nearly four times the number of units permitted during 2020 (preliminary data, with adjustments by the analyst). Although some of the increase during the past year was in response to tightening apartment market conditions, most of the surge was because developers wanted to take advantage of a tax-abatement program 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, many of those developments are not expected to begin construction for years.

New Construction

Recent construction activity in the submarket has largely been concentrated in the Center City market area because of the strong household growth. Recent activity in the market area includes the 330-unit Broadridge Philly, which was completed in mid-2021. Rents for the studio, one-bedroom, and two-bedroom units at this community start at $1,275, $1,725, and $2,400, respectively. Also in the Center City market area is the second phase of The Hamilton, which has nearly 300 units and was completed in mid-2021. Rents for the studio, one-bedroom, and two-bedroom units at this phase of the community start at $1,300, $1,850, and $2,400, 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, three-bedroom, and four-bedroom units start at $1,350, $1,675, $2,575, and $3,450, respectively.

Student Housing

There are 16 colleges and universities in the submarket that house students. The total enrollment at those colleges and universities is approximately 93,900 students, with nearly one-fourth of those students enrolled at the University of Pennsylvania. Recent construction at the university includes New College House West, a 450-bed dormitory that was completed before the start of the 2021–22 school year.

An estimated 17,400 renter student households reside in the Philadelphia City submarket, accounting for approximately 5 percent of all renter households in the submarket. Construction of the off-campus, privately owned Vantage student apartment community, which is near the main campus of Temple University, was completed in 2019. The furnished units are rented by the bedroom; rents start at $2,225 for one-bedroom units, $1,350 per bedroom for two-bedroom units, $1,225 per bedroom for three-bedroom units, and $1,175 per bedroom for four-bedroom units.

Forecast

During the 3-year forecast period, demand is estimated for 10,850 new rental units in the submarket (Table 13). Demand is expected to slightly increase during the second and third years, when the number of people moving into the submarket is expected to accelerate. In addition, demand is expected to be largely concentrated in the Center City market area. The 11,650 units under construction will more than satisfy all demand for new rental units during the forecast period.

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

Rental Units	
Demand	10,850 Units
Under Construction	11,650 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Rental Market—Delaware County Submarket

Market Conditions: Balanced

The overall rental market in the submarket is currently balanced, but conditions in the apartment market are tight.

Current Conditions and Recent Trends

The rental housing market in the Delaware County submarket—including apartments and other rental units, such as single-family, multifamily, and mobile homes—is currently balanced. The overall vacancy rate is estimated at 6.3 percent, down from 9.7 percent in 2010 (Table 14). Rental market conditions in the submarket ranged from soft to slightly soft from 2000 through 2008 because of steady net out-migration. Conditions transitioned to balanced from 2009 through 2012, which is largely attributed to steady net in-migration, and conditions have remained balanced since 2013. In 2019, approximately 32 percent of all renter-occupied units were single-family homes, up from 28 percent in 2010 (ACS 1-year data). In addition, 26 percent of all renter-occupied units were in structures with two to four units, relatively unchanged compared with 2010. Multifamily buildings with five or more units, typically apartments, accounted for 42 percent of all occupied rental units in 2019, down from 46 percent in 2010; that decline is in contrast with the percentage in the Philadelphia City submarket, which rose. That trend is largely due to apartment construction activity in the Delaware County submarket being relatively limited since 2010, which has resulted in more investors purchasing single-family homes and converting them to rental units to support the demand for rental units in the submarket. For the entire HMA, approximately 12 percent of all home sales since 2010 have been investor purchases, up from 7 percent of all sales from 2000 through 2009 (Redfin, a national real estate brokerage).

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

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.7	6.3
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	28	32
	Multifamily (2–4 Units)	26	26
	Multifamily (5+ Units)	46	42
	Other (Including Mobile Homes)	0	0
Apartment Market Quick Facts		4Q 2021	YoY Change
	Apartment Vacancy Rate	1.2	-1.2
	Average Rent	$1,382	9.0%

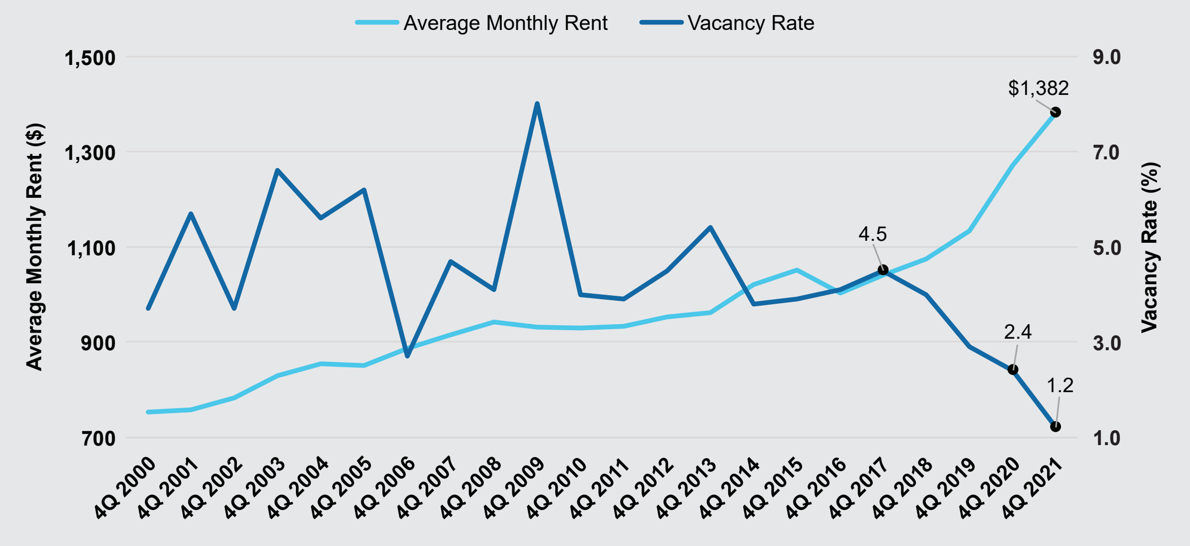
4Q = fourth quarter. YoY= year-over-year.
Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

Conditions in the apartment market are currently tight, compared with balanced conditions in 2010. During the fourth quarter of 2021, the apartment vacancy rate in the Delaware County submarket was 1.2 percent, down from 2.4 percent during the fourth quarter of 2020 and from the 5-year peak rate of 4.5 percent during the fourth quarter of 2017 (Figure 22; RealPage, Inc.). The fourth quarter vacancy rate was at or above 3.8 percent each year from 2010 through 2018; however, it has declined in each of the past 4 years, which is largely attributed to a combination of stronger net in-migration to the area and limited new apartment construction activity. The current vacancy rate is the lowest rate in more than 20 years. In response to tightening apartment market conditions, the average apartment rent has increased rapidly during the past 3 years. During the fourth quarter of 2021, the average apartment rent rose 9 percent, to $1,382. The average rent has increased an average of 9 percent annually since 2019, compared with an average annual 2-percent rise from 2010 through 2018.

Rental Construction Activity

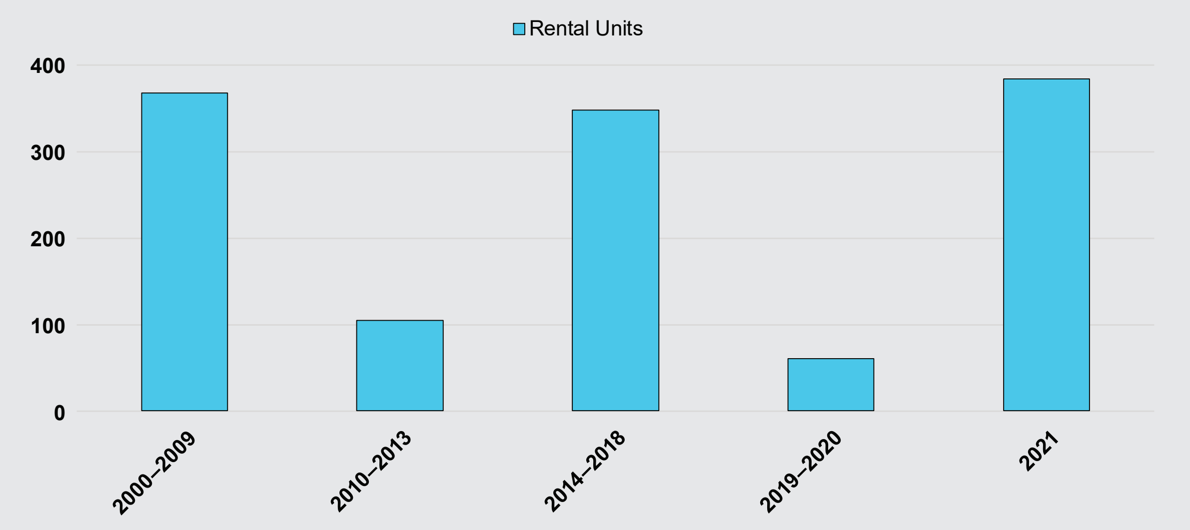
In response to tightening apartment market conditions, rental construction activity, as measured by the number of units permitted, has increased significantly during the past year. During 2021, rental permitting activity more than quadrupled—to approximately 380 units permitted—compared with 2020. From 2000 through 2009, an average of 370 rental units were permitted annually (Figure 23). Rental permitting activity slowed to an average of 110 units permitted annually from 2010 through 2013, which is partially attributed to sluggish absorption at recently completed apartment communities during and immediately following the Great Recession. Because units were being absorbed at a faster pace, construction activity accelerated to an average of 350 rental units permitted annually from 2014 through 2018. Despite tightening apartment market conditions, rental permitting activity slowed to an average of 60 units permitted annually during 2019 and 2020, partially because builders were focusing their resources on building in the city of Philadelphia before the tax-abatement program ended.

Figure 22. Apartment Rents and Vacancy Rates in the Delaware County Submarket



4Q = fourth quarter.
Source: RealPage, Inc.

Figure 23. Average Annual Rental Permitting Activity in the Delaware County Submarket



Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2020—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

New Construction

Recent construction activity in the submarket includes the 192-unit 50 at Granite Run apartment community, in the borough of Media, which was completed in mid-2019. Rents for the one- and two-bedroom units at this community start at $1,825 and $2,400, respectively. Madison Ellis Preserve, a 251-unit apartment community in Newtown Square, was completed in 2018. Rents for the studio, one-bedroom, two-bedroom, and three-bedroom units in this community start at $1,600, $1,875, $2,475, and $3,550, respectively. Construction of The Harrison at Madison Ellis Preserve, a 200-unit apartment community in Newtown Square, began in mid-2021. All units in this community are expected to be completed by the end of 2022, but rents have not yet been posted.

Student Housing

Ten colleges and universities in the submarket house students, with a total enrollment of approximately 29,800 students. The largest of those schools is Villanova University, which currently has a total enrollment of approximately 10,900 students. In 2017, construction was completed at The Commons, a residential community on the Villanova campus. The community has six dormitory buildings that house a total of nearly 1,150 students. An estimated 4,925 renter student households reside in the Delaware County submarket, accounting for approximately 7 percent of all renter households in the submarket.

Forecast

During the 3-year forecast period, demand is estimated for 1,125 new rental units in the submarket (Table 15). Demand is expected to be relatively steady during the forecast period. New supply should be targeted to come online during the second and third years of the forecast period because the 390 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	1,125 Units
Under Construction	390 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
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.
Forecast Period	1/1/2022–1/1/2025—Estimates by the analyst.
Great Recession	The Great Recession occurred nationally from December 2007 to June 2009.
Home Sales	Includes single-family, townhome, and condominium sales.
Rental Market	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area and metropolitan division 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.

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.

D. Photo/Map Credits

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