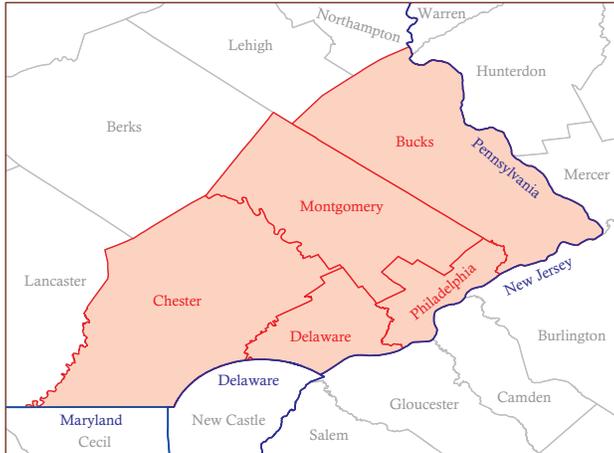




Philadelphia, Pennsylvania

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2014



Housing Market Area

The Philadelphia Housing Market Area (HMA) is coterminous with the Philadelphia, PA Metropolitan Division. For purposes of this analysis, the five-county HMA is divided into three submarkets: the City of Philadelphia submarket, the Bucks and Montgomery Counties submarket, and the Chester and Delaware Counties submarket. The central city of Philadelphia, coterminous with Philadelphia County, is the fifth largest city in the United States.

Summary

Economy

The economy of the Philadelphia HMA, which accounts for one-third of all jobs in Pennsylvania, expanded for the third consecutive year and at a higher rate than during the previous 2 years. During 2013, nonfarm payrolls increased by 14,100 jobs, or 0.7 percent, compared with an increase of 11,800 jobs, or 0.6 percent, during 2012. Nonfarm payrolls are expected to increase at an average annual rate

of 0.9 percent during the next 3 years. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is slightly soft, with an estimated vacancy rate of 1.4 percent, down from 1.6 percent in 2010. Sales of new and existing homes improved during 2013 but remain below the peak levels recorded in the mid-2000s. During the 3-year forecast period, demand is expected for 13,875 new homes in the HMA (Table 1). The 1,170 units currently under construction and a

portion of the 53,100 other vacant units in the HMA that may reenter the market will satisfy a portion of the forecast demand.

Rental Market

Overall rental housing market conditions in the HMA are slightly soft, and the apartment market is balanced to slightly tight. The overall rental vacancy rate is estimated at 7.8 percent, down from 8.9 percent in 2010. During the forecast period, demand is expected for 8,730 new rental units in the HMA (Table 1). The 3,760 units currently under construction will satisfy a portion of that demand.

Market Details

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Table 1. Housing Demand in the Philadelphia HMA, 3-Year Forecast, January 1, 2014, to January 1, 2017

	Philadelphia HMA		City of Philadelphia Submarket		Bucks and Montgomery Counties Submarket		Chester and Delaware Counties Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	13,875	8,730	4,275	6,175	5,675	1,575	3,925	980
Under construction	1,170	3,760	200	2,100	560	800	410	860

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, 2014. A portion of the estimated 53,100 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the Philadelphia HMA are improving, continuing the recovery that began in 2011, but the number of jobs remains below the recent peak level recorded in 2008. During 2013, nonfarm payrolls increased by 14,100 jobs, or 0.7 percent, to approximately 1.90 million jobs (Table 2). From 2005 through 2008, nonfarm payrolls increased by an average of 13,200 jobs, or 0.7 percent, annually before declining by

59,600 jobs, or 3.1 percent, during 2009. The job losses in 2009, which occurred in every nonfarm payroll sector except the education and health services and the government sectors, were led by a decline of 15,800 jobs, or 5.2 percent, in the professional and business services sector. Significant losses in 2009 also occurred in the mining, logging, and construction sector, which declined by 11,900 jobs, or 15.1 percent, including losses of 11,500 jobs, or 15.3 percent, in the construction subsector because of soft market conditions in residential and commercial real estate. By contrast, the education and health services sector increased by 6,400 jobs in 2009, a 1.6-percent increase. The education and health services sector has added jobs each year since 2000 at an average annual growth rate of 1.6 percent, which has partially offset losses in other sectors. Figure 1 shows payroll growth by sector in the HMA from 2000 to the current date.

In 2010, nonfarm payrolls were unchanged from the previous year. The recovery in the HMA began during

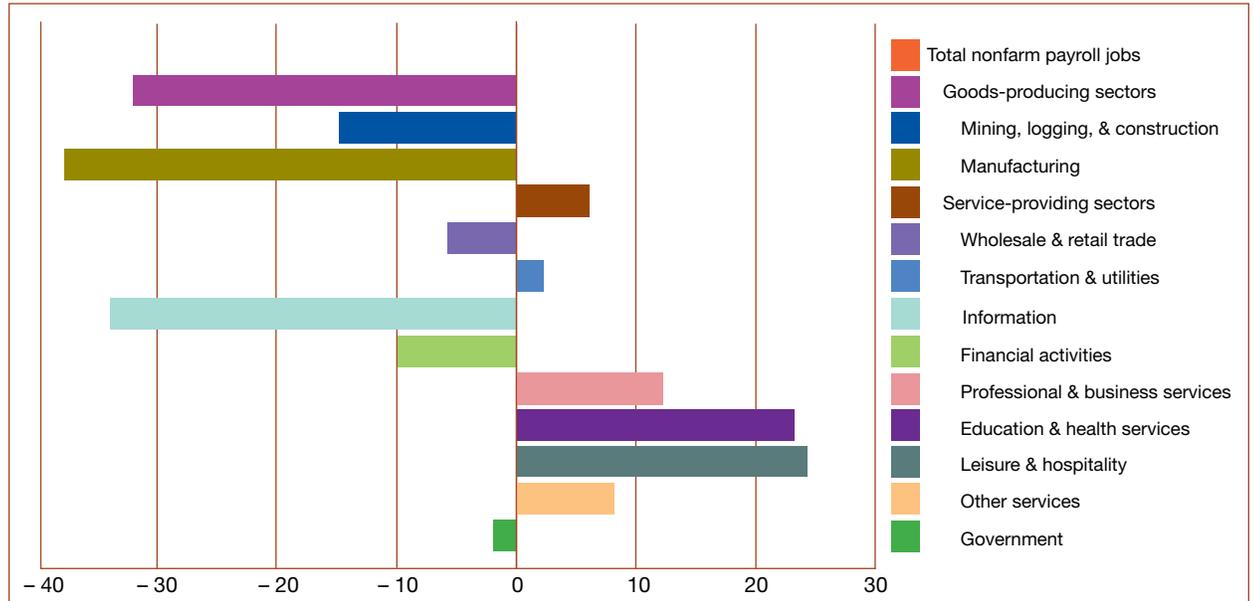
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Philadelphia HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	December 2012	December 2013		
Total nonfarm payroll jobs	1,886,700	1,900,800	14,100	0.7
Goods-producing sectors	192,900	192,600	-300	-0.2
Mining, logging, & construction	64,800	66,200	1,400	2.2
Manufacturing	128,200	126,400	-1,800	-1.4
Service-providing sectors	1,693,700	1,708,100	14,400	0.9
Wholesale & retail trade	273,300	274,700	1,400	0.5
Transportation & utilities	58,900	59,500	600	1.0
Information	37,700	36,800	-900	-2.4
Financial activities	131,400	132,500	1,100	0.8
Professional & business services	302,300	308,600	6,300	2.1
Education & health services	426,600	430,400	3,800	0.9
Leisure & hospitality	163,500	167,200	3,700	2.3
Other services	84,800	85,600	800	0.9
Government	215,700	213,500	-2,200	-1.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2012 and December 2013.

Source: U.S. Bureau of Labor Statistics

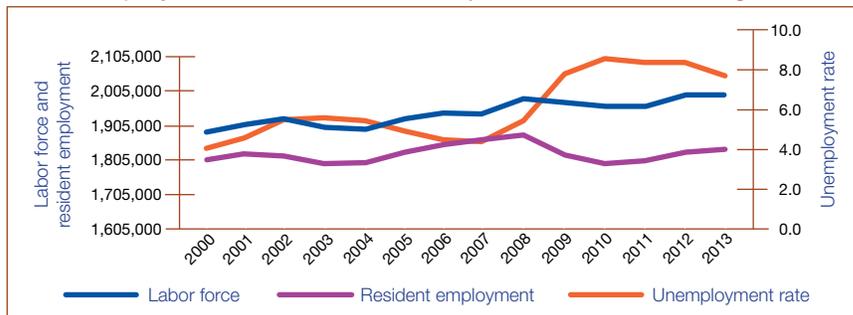
Figure 1. Sector Growth in the Philadelphia HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through December 2013. During this period, total nonfarm payroll jobs showed no net change.

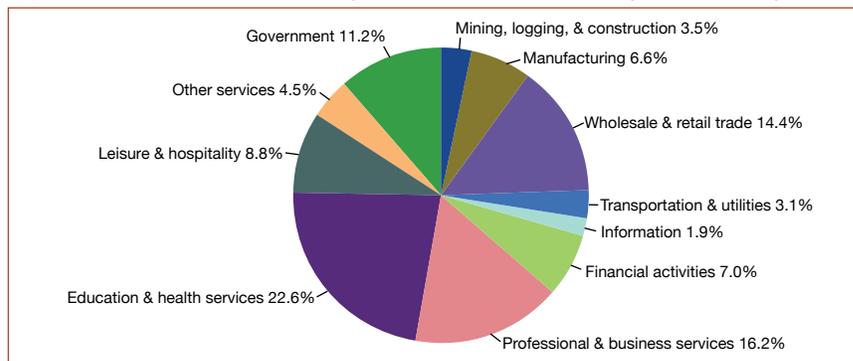
Source: U.S. Bureau of Labor Statistics

Figure 2. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Philadelphia HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Philadelphia HMA, by Sector



Note: Based on 12-month averages through December 2013.

Source: U.S. Bureau of Labor Statistics

2011 and 2012, when payrolls increased by an average of 11,900, or 0.6 percent, a year. As a result of continued job growth, the unemployment rate declined to an average of 7.7 percent during 2013 from 8.3 percent during 2012. Figure 2 shows labor force, resident employment, and unemployment rate trends in the HMA from 2000 through 2013.

The education and health services sector, the largest employment sector in the HMA with 22.6 percent of nonfarm payrolls (Figure 3), added the second most jobs during 2013, increasing by 3,800 jobs, or 0.9 percent. The \$365 million Einstein Medical Center Montgomery, which includes a 363,000-square-foot hospital and a separate 75,000-square-foot medical office building, added 250 new jobs in the education and health services sector after it opened in late 2012. Of the top 10 employers in the HMA, 5 are in the education and health services sector. Table 3 provides additional information about the leading employers in the HMA.

Table 3. Major Employers in the Philadelphia HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Jefferson Health System, Inc.	Education & health services	19,100
University of Pennsylvania	Education & health services	16,160
University of Pennsylvania Health System	Education & health services	14,941
Merck & Company, Inc.	Manufacturing	12,000
Wal-Mart Stores, Inc.	Wholesale & retail trade	11,445
Catholic Health East	Education & health services	11,339
United Parcel Service of America, Inc.	Transportation & utilities	10,261
Comcast Corporation	Professional & business services	10,200
Main Line Health	Education & health services	10,100
ARAMARK Corporation	Professional & business services	10,026

Notes: Excludes local school districts. Data are current as of May 2012.

Source: Select Greater Philadelphia

During 2013, the professional and business services sector recorded the greatest payroll gain of any sector, increasing by 6,300 jobs, or 2.1 percent. Within this sector, the professional, scientific, and technical services subsector led growth with a gain of 4,000 jobs, or 2.6 percent. Axalta Coating Systems, LLC, added 100 jobs to the professional and business services sector and 230 jobs to the manufacturing sector in 2013 after relocating to the HMA from the state of Delaware. Despite this addition, payrolls in the manufacturing sector declined by 1,800 jobs, or 1.4 percent, during 2013, after an average annual decline of 6,400 jobs, or 3.8 percent, from 2000 through 2012. In December 2013, Merck & Co., Inc., a pharmaceutical manufacturer and one of the largest employers in Montgomery County, laid off 500 workers because of corporate restructuring. During 2013, the greatest losses in the HMA occurred in the government sector, which declined by 2,200 jobs, or 1.0 percent, led by a decrease of 1,100 jobs, or 0.7 percent, in the local government subsector as a result of budget cuts.

The leisure and hospitality sector, the fastest growing sector in the HMA since 2000, increased by 3,700 jobs,

or 2.3 percent, during 2013, with 86 percent of the increase occurring in the accommodation and food services subsector. The greater Philadelphia area attracted 38.8 million domestic visitors during 2012, up 45 percent from 1997, which supported approximately 88,750 jobs and generated \$9.75 billion in economic impact (Visit Philadelphia™). In response to the increase in tourism, three new hotels with nearly 690 total rooms have been completed in the city of Philadelphia since 2012, and more than 1,050 new rooms at four hotels are expected to be complete during the next 3 years. In addition, the completion of four new casinos in the HMA since 2007 has added more than 5,900 jobs to this sector.

Nonfarm payrolls are expected to increase by an average of 16,500 jobs, or 0.9 percent, annually during the next 3 years. The education and health services and the leisure and hospitality sectors are expected to lead growth during the next 3 years. Aria Health System is expanding its emergency department in the city of Philadelphia, which is expected to add 200 jobs to the education and health services sector on completion in early 2014. St. Christopher's Hospital for Children

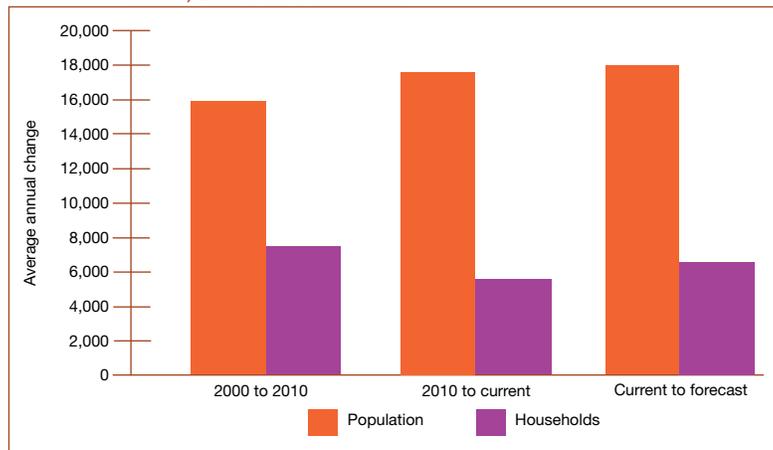
began a \$110 million expansion in the city of Philadelphia, including a new 110-bed Critical Care Tower, in February 2013. The expansion added approximately 400 temporary

jobs to the construction subsector and is expected to add 300 jobs to the education and health services sector on opening in 2015.

Population and Households

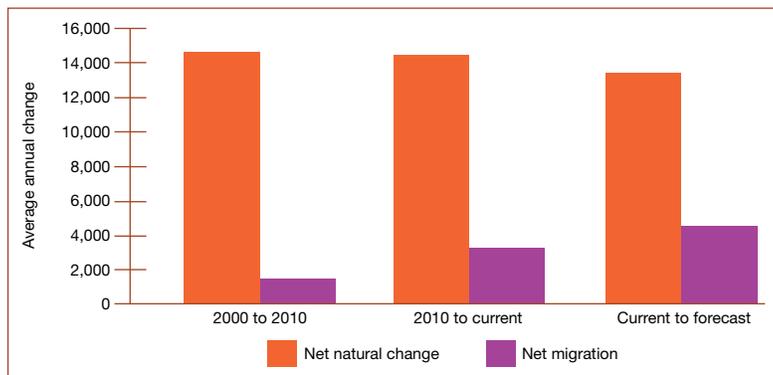
The population of the Philadelphia HMA has increased steadily since 2000. The estimated population of the HMA is currently 4.08 million, an increase of 17,600, or 0.4 percent, annually since 2010

Figure 4. Population and Household Growth in the Philadelphia HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Philadelphia HMA, 2000 to Forecast



Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

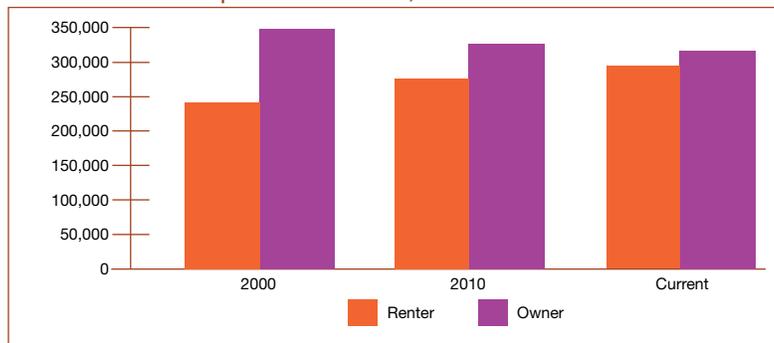
(Figure 4). From 2000 to 2010, population growth averaged 15,950 people, or 0.4 percent, annually. Since 2010, net natural increase (resident births minus resident deaths) has accounted for 82 percent of population growth and averaged 14,450 people a year. Net in-migration, which accounted for approximately 9 percent of population growth from 2000 to 2010, has averaged 3,150 people, or 18 percent of population growth, since 2010 (Figure 5). Approximately 36 percent of migration into the HMA is from New York and New Jersey, and 20 percent is from other areas within Pennsylvania (Internal Revenue Service Migration Files, 2009 and 2010).

The City of Philadelphia submarket, with an estimated population of 1.56 million, accounts for 38 percent of the total population in the HMA. From 2000 to 2010, population growth averaged 850 people, or 0.1 percent, annually, accounting for only 5 percent of population growth in the HMA. Starting in the mid-2000s, improving economic conditions and an increase in residential construction activity resulted in the first decade of population growth in the submarket since the 1940s. Since 2010, population growth has averaged 9,325 people, or 0.6 percent, annually, accounting for 53 percent of population growth in the HMA.

Population and Households *Continued*

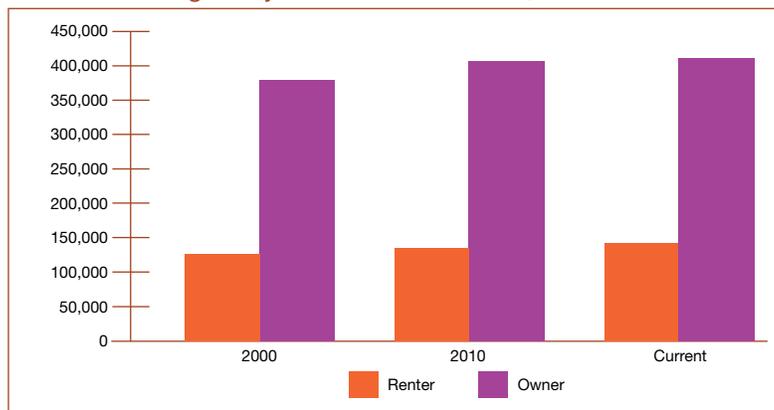
Of the estimated 610,200 households currently residing in the City of Philadelphia submarket, nearly one-half are nonfamily households, such as student or young professional households, up from 40 percent in 2000. A preference among the increasing number of nonfamily households to rent rather than own has accounted for more than one-half of the increase in renter households in the submarket since 2000

Figure 6. Number of Households by Tenure in the City of Philadelphia Submarket, 2000 to Current



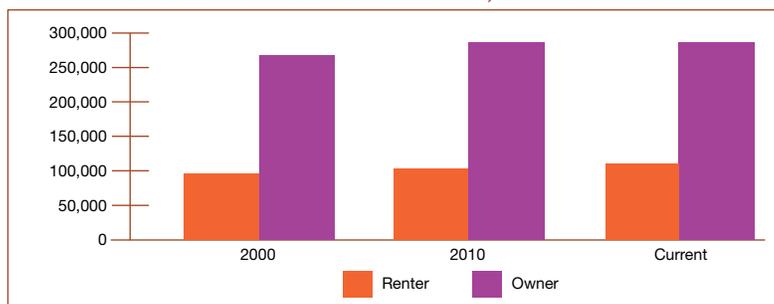
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Bucks and Montgomery Counties Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Chester and Delaware Counties Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

(Figure 6) and contributed to the decline in the homeownership rate in the submarket from 59.3 percent in 2000 to 51.6 percent currently.

Since 2010, the population of the Bucks and Montgomery Counties submarket has increased by an average of 3,975, or 0.3 percent, annually to 1.44 million compared with growth averaging 7,750, or 0.6 percent, annually from 2000 to 2010. In the Chester and Delaware Counties submarket, population has increased by an average of 4,300, or 0.4 percent, annually since 2010 to total 1.07 million, less than the average increase of 7,350, or 0.7 percent, annually from 2000 to 2010. The rates of population growth in these two submarkets decreased because they had recovered less than one-half of the jobs lost from mid-2008 through mid-2010 as of September 2013, the latest data available. In these suburban submarkets, owner household growth accounted for 68 percent of total household growth from 2000 to 2010 but only 9 percent of household growth since 2010 (Figures 7 and 8).

During the 3-year forecast period, population growth is expected to average 18,000 people, or 0.4 percent, a year. Coinciding with improving economic conditions, net in-migration is expected to increase to 4,600 people a year, accounting for approximately 25 percent of the expected population growth. More than one-half of the population growth in the HMA is expected to occur in the City of Philadelphia submarket during the next 3 years, while the Chester and Delaware Counties and the Bucks and Montgomery Counties submarkets are expected to account for one-fourth and one-fifth of total population growth in the HMA, respectively. The number of households in the HMA has increased by

an average of 5,675, or 0.4 percent, annually since 2010. With expectations for stronger population and

job growth during the next 3 years, household growth is expected to rise to 6,600, or 0.4 percent, a year.

Housing Market Trends

Sales Market—City of Philadelphia Submarket

The sales housing market in the City of Philadelphia submarket currently is slightly soft, with a 1.7-percent sales vacancy rate, down from 2.2 percent in 2010 (Table DP-2 at the end of this report). Approximately 17,500 new and existing homes (including single-family homes, townhomes, and condominiums) sold during 2013, up 10 percent compared with the number sold during 2012 (CoreLogic, Inc.). Home sales declined each year from 2006 through 2011, from 31,000 new and existing homes sold in 2006 to 14,100 homes sold during 2011, before increasing 13 percent in 2012. The number of new home sales declined significantly in the submarket, from 2,725 in 2006 to 590 in 2011. During 2013, approximately 540 new homes sold in the submarket, down 2 percent from 2012. The average sales price for a new home was \$385,900 during 2013, up 2 percent compared with the average during 2012 and 13 percent more than the average during 2006. The price gain was partially because of the increasing size of new homes built in the submarket, from an average of 1,450 square feet in 2006 to an average of 1,650 square feet in 2013 (Metrostudy, A Hanley Wood Company).

Sales of existing homes in the City of Philadelphia submarket have declined since 2006, following a trend similar

to that of new home sales. Existing home sales totaled 28,300 in 2006 and declined each year through 2011, when 13,500 existing homes sold (CoreLogic, Inc.). Sales of existing homes increased 13 percent in 2012, to 15,300 homes sold. The existing home sales market continued to improve during 2013, increasing 11 percent to 16,950 homes sold. As a result, the average sales price of an existing home during 2013 was \$164,600, nearly 6 percent more than the \$155,900 average price during 2012. By comparison, the average sales price increased an average of nearly 2 percent annually from \$137,900 in 2006 to \$146,500 in 2011. The continued increase in existing home sales prices occurred despite an increase in the number of REO (Real Estate Owned) properties sold (CoreLogic, Inc.). The 1,000 REO sales in 2006 represented nearly 4 percent of all existing home sales in the submarket; that share increased to 13 percent in 2011. During 2013, 11 percent of existing homes sold, or 1,825 homes, were REO sales, and the average sales price for an REO home was \$77,800, or less than 47 percent of the average sales price for all existing homes in the submarket. Despite improving sales market conditions in the submarket, the number of distressed home loans remains elevated. As of December 2013, 9.4

Housing Market Trends

Sales Market—City of Philadelphia Submarket Continued

percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 10.4 percent a year earlier (Black Knight Financial Services, Inc.). This rate was higher than the 6.2-percent rate for Pennsylvania and the 5.6-percent national rate.

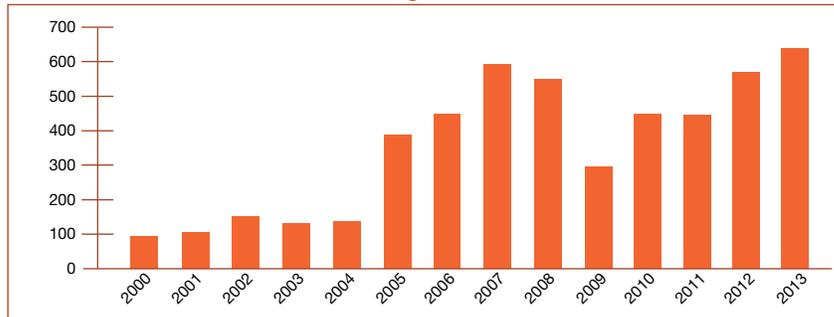
Single-family home construction, as measured by the number of single-family homes permitted, averaged approximately 490 homes annually in the City of Philadelphia submarket from 2005 through 2008 (Figure 9). In 2009, as the economy and housing market weakened, 290 single-family homes were permitted; however,

construction activity increased when economic conditions improved, to an average of 490 homes permitted annually from 2010 through 2012. During 2013, approximately 630 single-family homes were permitted, a 12-percent increase compared with the number permitted a year earlier (preliminary data).

Asking prices for new homes in the City of Philadelphia submarket start at approximately \$160,000. In the Francisville neighborhood of the submarket, Folsom Powerhouse, with 14 two- and three-bedroom townhomes starting at \$285,000, broke ground in October 2013. In the Graduate Hospital neighborhood, 2400 South, which began construction in 2012 and includes 68 double-decker townhomes with prices starting at \$598,900 for street-level units and \$714,000 for upper-level units and HOA fees of \$320 a month, is nearly sold out. In addition, a five-story, 59-unit, one- and two-bedroom condominium property is expected to begin construction at this site in 2014 with prices starting at \$341,000 (Metrostudy, A Hanley Wood Company).

During the next 3 years, demand is expected for 4,275 new homes in the submarket (Table 1). The 200 homes currently under construction and a portion of the 33,000 other vacant units that may come back on the market will satisfy some of the forecast demand. Table 4 illustrates the estimated demand for new sales housing in the submarket by price range. Demand is expected to be strongest for homes priced from \$300,000 to \$399,999.

Figure 9. Single-Family Homes Permitted in the City of Philadelphia Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 4. Estimated Demand for New Market-Rate Sales Housing in the City of Philadelphia Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
160,000	199,999	210	5.0
200,000	299,999	1,075	25.0
300,000	399,999	1,275	30.0
400,000	499,999	640	15.0
500,000	599,999	430	10.0
600,000	and higher	640	15.0

Note: The 200 homes currently under construction and a portion of the estimated 33,000 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

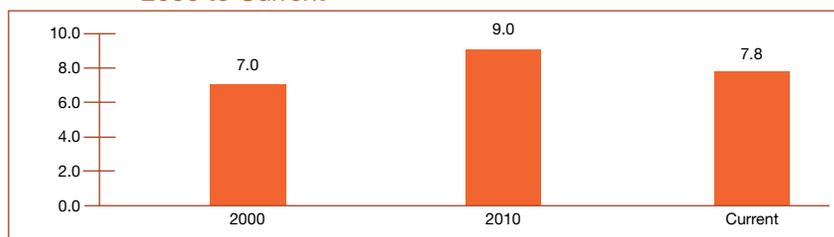
Rental Market—City of Philadelphia Submarket

The rental housing market in the City of Philadelphia submarket currently is slightly soft, with an estimated vacancy rate of 7.8 percent, down from 9.0 percent in 2010 (Figure 10). The apartment market is balanced, although the vacancy rate increased during 2013 with the completion of approximately 1,450 newly constructed apartments and the addition of 750 units converted from nonresidential structures. Approximately 70 percent of the new rental supply was built in the Center City market area, defined by Reis, Inc., as bounded by Girard Avenue to the north, Washington Avenue to the south, the Delaware River to the east, and the Schuylkill River to the west. As a result, the vacancy rate in the Center City area during the fourth quarter of 2013 increased to 6.3 percent from 4.0 percent a year earlier. The vacancy rate for apartments outside the Center City area was 3.8 percent, nearly unchanged from a year earlier (Reis, Inc.).

Multifamily construction, as measured by the number of multifamily units permitted, totaled 2,575 units during 2013, relatively unchanged from the 2,625 units permitted during 2012 (Figure 11). By comparison, an average of 1,125 multifamily units were permitted annually from 2007 through 2011. Multifamily permitting from 2003 through 2006 averaged 2,375 units a year; however, 31 percent of units permitted during this period were condominiums. During 2012 and 2013, less than 2 percent of multifamily units permitted were for sale, as development shifted from condominiums to rental properties in response to strengthening rental market conditions.

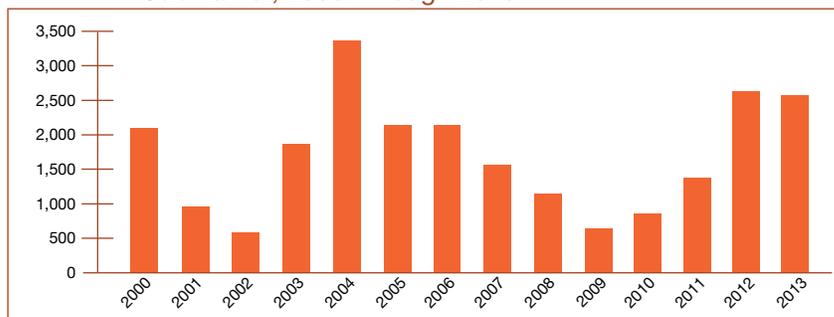
New apartments completed during 2013 include 2116 Chestnut, a 34-story highrise with 321 units. Rents at 2116 Chestnut currently start at \$1,825, \$2,250, and \$3,025 for studio, one-bedroom, and two-bedroom units, respectively (Axiometrics Inc.). Non-residential conversions include 2040 Market Street, a former office building repurposed as 282 apartments with rents starting at \$1,895 for one-bedroom units, and Goldtex Apartments, a former factory converted to 170 apartments with rents starting at \$1,515 for one-bedroom units. The 2,200 units completed during 2013 slowed rent growth. During the fourth quarter of 2013, Class A apartment rents in the Center City area averaged \$1,939, up 2 percent from the average rent a year earlier. By comparison, year-over-year rent growth averaged more than 4 percent annually from 2010 through 2012 (Reis, Inc.). Rents for apartments outside the Center City area averaged \$960 during the fourth quarter of 2013, up 2 percent compared with the average rent a year earlier.

Figure 10. Rental Vacancy Rates in the City of Philadelphia Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 11. Multifamily Units Permitted in the City of Philadelphia Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—City of Philadelphia Submarket *Continued*

During the next 3 years, demand is expected for 6,175 new rental units in the City of Philadelphia submarket (Table 1). Most forecast renter household growth is expected in the Center City area and the surrounding neighborhoods, including revitalizing neighborhoods such as Point Breeze and South Kensington. The 2,100 apartments currently under construction

will satisfy a portion of the forecast demand. In addition, the 2,450 apartment units in various stages of planning in the submarket may consume some of the forecast demand (CB Richard Ellis). Rents for newly built apartments are expected to start at \$900, \$1,100, and \$1,550 for studio, one-bedroom, and two-bedroom units, respectively (Table 5).

Table 5. Estimated Demand for New Market-Rate Rental Housing in the City of Philadelphia Submarket, January 1, 2014, to January 1, 2017

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	110	1,100 to 1,299	780	1,550 to 1,749	840	2,200 to 2,399	50
1,100 to 1,299	180	1,300 to 1,499	1,325	1,750 to 1,949	1,150	2,400 to 2,599	15
1,300 to 1,499	70	1,500 to 1,699	270	1,950 to 2,149	480	2,600 to 2,799	35
		1,700 to 1,899	280	2,150 to 2,349	530	2,800 to 2,999	70
Total	360	Total	2,650	Total	3,000	Total	170

Notes: Numbers may not add to totals because of rounding. The 2,100 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Bucks and Montgomery Counties Submarket

The sales housing market in the Bucks and Montgomery Counties submarket is slightly soft, with an estimated vacancy rate of 1.0 percent, down from 1.2 percent in 2010 (Table DP-3 at the end of this report). Despite gains during 2013, existing home sales (including single-family homes, townhomes, and condominiums) remained at relatively low levels during the past 6 years, a result of tight lending standards and weak job growth. The number of existing homes sold increased 14 percent from 2012, to 17,300 homes sold, during 2013 (CoreLogic, Inc.). By comparison, an average of 24,500 existing homes sold annually in the submarket from 2003 through 2007 before sales declined to an average of 14,350 annually from 2008 through 2011.

The average sales price for an existing home increased 3 percent from a year earlier, to \$305,300 during 2013. Existing home sales prices peaked in 2007 at an average of \$328,900, or 7 percent more than the current average sales price. Much of the decline in existing home sales prices from 2008 through 2011 can be attributed to an increase in the number of REO sales. From 2003 through 2007, REO sales averaged 210 a year and accounted for an average of less than 1 percent of all existing homes sold in the submarket. From 2008 through 2013, REO sales accounted for an average of more than 6 percent of all existing home sales. The average sales price of an REO home in the submarket during 2013 was \$219,300, or 28 percent

below the average sales price of all existing homes. As of December 2013, 7.3 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 8.2 percent in December 2012 (Black Knight Financial Services, Inc.). This rate was higher than the 6.2-percent rate for Pennsylvania and the 5.6-percent national rate.

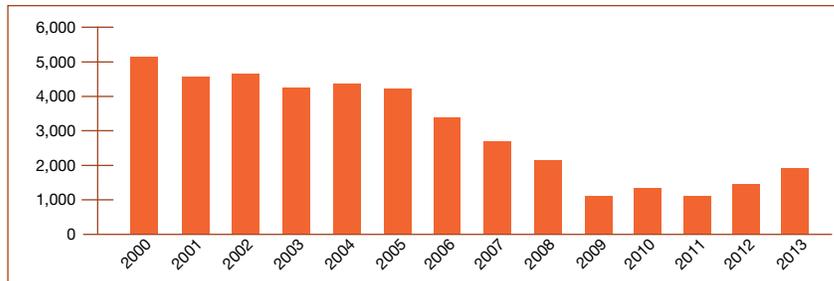
Sales of new homes in the Bucks and Montgomery Counties submarket increased 35 percent from 2012, to 1,375 homes sold during 2013. New home sales totaled 2,925 during 2006 but declined an average of 26 percent annually through 2009 to 990 new homes sold. Approximately 1,050 new homes were sold annually from 2010 through 2012. An improving sales market led to an 8-percent increase in the average sales price of new homes, to \$438,600, during 2013 after a comparable increase during 2012. From 2007 through 2011, the average new home sales price declined by an average annual rate of 4 percent, to \$378,300. Condominium sales are not a significant part of the new home sales market in the Bucks and Montgomery Counties submarket.

In response to the recent rise in new home sales in the submarket, developers increased new home construction

activity, as measured by the number of single-family homes permitted. During 2013, building permits were issued for approximately 1,875 new single-family homes, up 27 percent from the number of homes permitted during 2012 (preliminary data). Single-family home construction remains significantly less than the average of 3,775 homes permitted annually from 2003 through 2007, although the recent activity is an increase from the average of 1,400 homes permitted annually from 2008 through 2011 (Figure 12). The construction of 108 homes at Regency Hills at Providence, a Toll Brothers subdivision in Montgomery County that broke ground in 2011 and has sales prices starting at \$437,000 for a two-bedroom home, is expected to be complete by 2015. At Oak Creek at Warrington, which broke ground in 2013 in Bucks County, about one-half of the 24 lots remain available; four-bedroom homes start at \$495,000. Waterside, a planned community in Bucks County including 600 single-family homes, townhomes, and condominiums, is expected to start construction in 2014. Prices for stacked townhomes at Waterside start in the mid-\$200,000s.

During the next 3 years, demand is estimated for 5,675 new single-family homes in the submarket (Table 1). The 560 homes currently under construction and a portion of the estimated 11,500 other vacant units in the submarket will satisfy a portion of the forecast demand. Demand is expected to be strongest for homes priced between \$250,000 and \$349,999 (Table 6).

Figure 12. Single-Family Homes Permitted in the Bucks and Montgomery Counties Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Sales Market—Bucks and Montgomery Counties Submarket Continued

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Bucks and Montgomery Counties Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	249,999	570	10.0
250,000	349,999	1,700	30.0
350,000	449,999	1,425	25.0
450,000	549,999	850	15.0
550,000	and higher	1,125	20.0

Note: The 560 homes currently under construction and a portion of the estimated 11,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

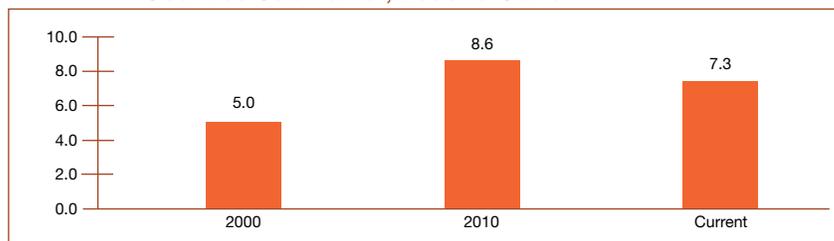
Rental Market—Bucks and Montgomery Counties Submarket

The rental housing market in the Bucks and Montgomery Counties submarket is balanced. The estimated overall rental vacancy rate is currently 7.3 percent, down from 8.6 percent in 2010 (Figure 13). The apartment market is slightly tight, as indicated by declining vacancy rates and increasing rents. From the fourth quarter of 2012 to the fourth quarter of 2013, the apartment vacancy rate decreased from 3.6 to

3.0 percent and the average asking rent increased 2 percent, to approximately \$1,175 (Reis, Inc.). The apartment vacancy rate declined each year from 2010 through 2013, while annual growth in the asking rent averaged 2 percent.

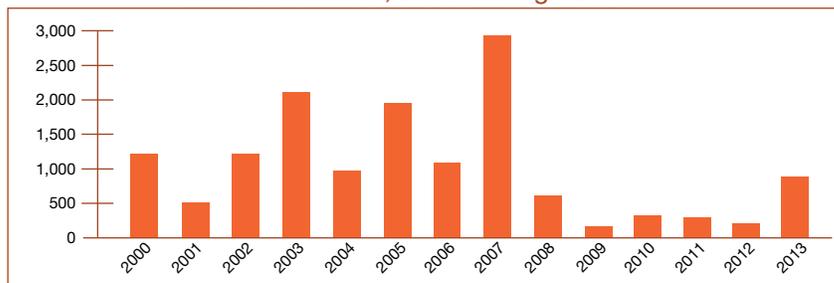
The apartment market has tightened each year since 2010 because of low levels of multifamily development from 2009 through 2012. Multifamily construction activity, as measured by the number of units permitted, averaged 240 units a year during this period, significantly less than the average of 1,400 units permitted annually from 2000 through 2008 (Figure 14). During 2013, 880 multifamily units were permitted in the Bucks and Montgomery Counties submarket (preliminary data). Apartments recently completed in the submarket include Bridgeview Apartments, in Montgomery County, with 180 one- and two-bedroom units starting at \$1,090 and \$1,650, respectively. Madison New Britain, in Bucks County, with 232 one- and two-bedroom apartments starting at \$1,330 and \$1,550, respectively, is expected to be complete in March 2014.

Figure 13. Rental Vacancy Rates in the Bucks and Montgomery Counties Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Units Permitted in the Bucks and Montgomery Counties Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market—Bucks and Montgomery Counties Submarket Continued

During the next 3 years, demand is expected for 1,575 new rental units in the Bucks and Montgomery Counties submarket (Table 1). The 800 units under construction and an additional 580 units expected to start construction

during 2014 are expected to meet nearly 90 percent of the forecast demand. Table 7 illustrates the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the 3-year forecast period.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Bucks and Montgomery Counties Submarket, January 1, 2014, to January 1, 2017

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
900 to 1,099	80	1,000 to 1,199	280	1,300 to 1,499	210	2,000 to 2,199	30
		1,200 to 1,399	430	1,500 to 1,699	350	2,200 to 2,399	40
				1,700 to 1,899	140	2,400 to 2,599	10
Total	80	Total	710	Total	710	Total	80

Notes: Numbers may not add to totals because of rounding. The 800 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Chester and Delaware Counties Submarket

The sales housing market in the Chester and Delaware Counties submarket is slightly soft, with an estimated 1.5-percent vacancy rate, relatively unchanged from 1.6 percent in 2010 (Table DP-4 at the end of this report). The existing home sales market (including single-family homes, townhomes, and condominiums) has improved since 2012 after 7 years of declining home sales. During 2013, sales of existing homes totaled 12,650, up 10 percent from 2012 (CoreLogic, Inc.). Existing home sales declined by an average of 1,525, or 9 percent, annually from 2005 through 2011 before increasing by 1,350, or 13 percent, in 2012. Existing home sales prices increased 2 percent from 2012 to an average of \$281,900 during 2013. By comparison, home sales prices increased an average of 2 percent annually from 2005 through 2012. Belying the increase in the average existing home sales price, the number of REO properties sold increased more than 2 percent, to 1,225 homes sold, which

accounted for 10 percent of existing homes sold during 2013. REO sales accounted for an average of less than 3 percent of existing homes sold annually from 2003 through 2007 before increasing to an average of 8 percent of existing homes sold from 2008 through 2011. As of December 2013, 5.2 percent of home loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 5.6 percent a year earlier (Black Knight Financial Services, Inc.). This rate was less than the 6.2-percent rate for Pennsylvania and the 5.6-percent national rate.

Sales of new homes totaled 1,050 during 2013, up 34 percent from a year earlier. From 2005 through 2011, new home sales declined by an average of 350, or 17 percent, annually. Despite the increase in new home sales during 2013, the average sales price for new homes declined 3 percent, to an average of \$407,600, after a 7-percent increase during 2012. By comparison,

Housing Market Trends

Sales Market—Chester and Delaware Counties Submarket Continued

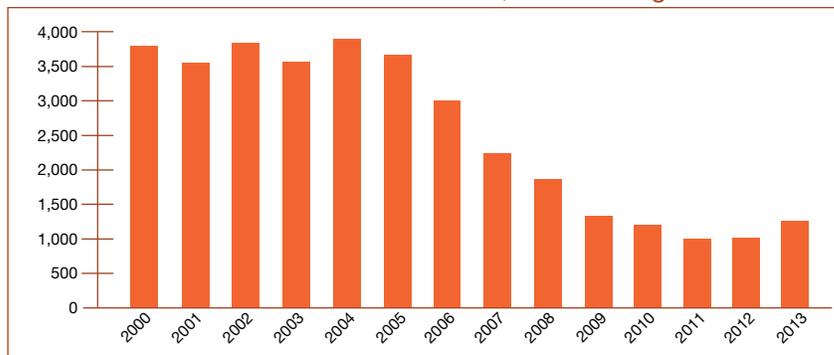
from 2005 through 2011, the average sales price for a new home was relatively stable at \$413,500. Condominium sales are not a significant part of the new home sales market in the Chester and Delaware Counties submarket.

Homebuilding activity, as measured by the number of single-family homes permitted, increased to 1,250 new homes in the submarket during 2013,

up 23 percent from 2012 (preliminary data). Single-family home construction in the submarket remains less than the averages recorded from 2003 through 2006, when 3,525 homes were permitted annually, and from 2007 through 2011, when 1,500 homes were permitted annually (Figure 15). Applecross Country Club in Chester County, the largest subdivision under construction in the submarket, has completed about 70 percent of the planned 460 townhomes and single-family homes since breaking ground in 2006 (Metrostudy, A Hanley Wood Company). Prices at Applecross Country Club start at \$247,990 for three-bedroom townhomes and range from \$257,990 to \$449,990 for two-, three-, and four-bedroom homes.

During the next 3 years, demand is expected for 3,925 new homes (Table 1). Demand is expected to remain below the levels recorded in the early 2000s. The 410 homes currently under construction and some of the 8,600 other vacant homes that may reenter the market will satisfy a portion of the forecast demand. Table 8 presents detailed information on the estimated demand for new market-rate sales housing by price range and number of bedrooms in the Chester and Delaware Counties submarket during the 3-year forecast period.

Figure 15. Single-Family Homes Permitted in the Chester and Delaware Counties Submarket, 2000 Through 2013



Notes: Includes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Chester and Delaware Counties Submarket, January 1, 2014, to January 1, 2017

Price Range (\$)		Units of Demand	Percent of Total
From	To		
150,000	249,999	590	15.0
250,000	349,999	790	20.0
350,000	449,999	980	25.0
450,000	549,999	790	20.0
550,000	and higher	790	20.0

Note: The 410 homes currently under construction and a portion of the estimated 8,600 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Chester and Delaware Counties Submarket

The rental housing market in the Chester and Delaware Counties submarket is slightly soft. The estimated overall rental vacancy rate is currently 8.4 percent, down from 8.9 percent in 2010 but up from 5.5 percent in 2000

(Figure 16). Single-family homes currently make up an estimated 35 percent of rental units in the submarket compared with 30 percent of the rental supply in 2000. The apartment market, however, is tight. During the

Housing Market Trends

Rental Market—Chester and Delaware Counties Submarket Continued

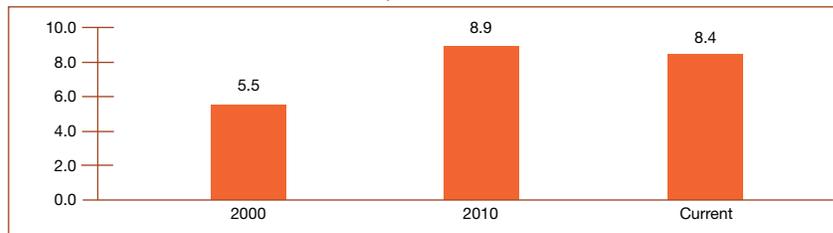
fourth quarter of 2013, the apartment vacancy rate was 2.0 percent, down from 2.9 percent during the same period a year earlier (Reis, Inc.). The average asking rent was approximately

\$1,075 during the fourth quarter of 2013, up 1 percent compared with the average rent during the fourth quarter of 2012.

In response to tight apartment market conditions, multifamily construction activity, as measured by the number of multifamily units permitted, nearly doubled to 620 units permitted in 2013 compared with the 340 units permitted in 2012 (preliminary data). Multifamily construction activity averaged 750 units annually from 2000 through 2008 before declining to average 270 units annually from 2009 through 2011 (Figure 17). The multifamily units currently under construction include 114 apartments for active adults ages 55 and older at Harrison Hill Apartments in Chester County. Rents for the apartments, which are expected to be complete in July 2014, start at \$1,400 for a one-bedroom unit.

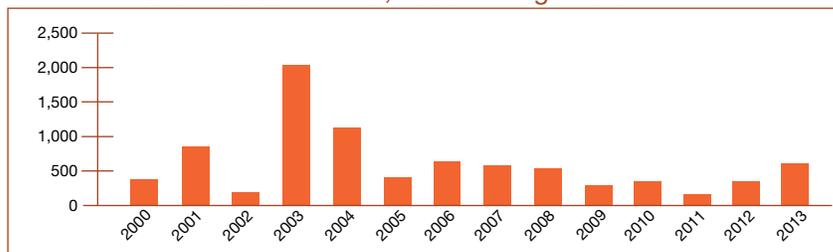
During the next 3 years, demand is expected for 980 new rental units (Table 1). The 860 units under construction are expected to satisfy most of the forecast demand. Table 9 illustrates the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the 3-year forecast period.

Figure 16. Rental Vacancy Rates in the Chester and Delaware Counties Submarket, 2000 to Current



Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the Chester and Delaware Counties Submarket, 2000 Through 2013



Notes: Excludes townhomes. Includes data through December 2013.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Chester and Delaware Counties Submarket, January 1, 2014, to January 1, 2017

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200 to 1,399	100	1,600 to 1,799	120	2,200 to 2,399	150
1,400 to 1,599	140	1,800 to 1,999	200	2,400 to 2,599	100
1,600 to 1,799	100	2,000 to 2,199	80		
Total	340	Total	390	Total	250

Notes: Numbers may not add to totals because of rounding. The 860 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Table DP-1. Philadelphia HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	1,808,380	1,796,017	1,837,000	- 0.1	0.8
Unemployment rate	4.1%	8.5%	7.9%		
Nonfarm payroll jobs	1,894,300	1,863,000	1,901,000	- 0.2	0.7
Total population	3,849,647	4,008,994	4,075,000	0.4	0.4
Total households	1,459,119	1,533,935	1,555,200	0.5	0.4
Owner households	997,883	1,017,090	1,008,000	0.2	- 0.2
Percent owner	68.4%	66.3%	64.8%		
Renter households	461,236	516,845	547,200	1.1	1.5
Percent renter	31.6%	33.7%	35.2%		
Total housing units	1,565,641	1,657,226	1,669,000	0.6	0.2
Owner vacancy rate	1.3%	1.6%	1.4%		
Rental vacancy rate	6.2%	8.9%	7.8%		
Median Family Income	\$58,760	\$78,300	\$81,500	2.9	1.3

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2013. Median Family Incomes are for 1999, 2009, and 2012.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. City of Philadelphia Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	1,517,550	1,526,006	1,561,000	0.1	0.6
Total households	590,071	599,736	610,200	0.2	0.5
Owner households	349,633	324,536	314,800	- 0.7	- 0.8
Percent owner	59.3%	54.1%	51.6%		
Rental households	240,438	275,200	295,400	1.4	1.9
Percent renter	40.7%	45.9%	48.4%		
Total housing units	661,958	670,171	673,600	0.1	0.1
Owner vacancy rate	1.9%	2.2%	1.7%		
Rental vacancy rate	7.0%	9.0%	7.8%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Bucks and Montgomery Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	1,347,732	1,425,123	1,440,000	0.6	0.3
Total households	504,823	542,599	549,200	0.7	0.3
Owner households	379,438	406,014	408,600	0.7	0.2
Percent owner	75.2%	74.8%	74.4%		
Rental households	125,385	136,585	140,600	0.9	0.8
Percent renter	24.8%	25.2%	25.6%		
Total housing units	522,932	571,691	575,900	0.9	0.2
Owner vacancy rate	0.9%	1.2%	1.0%		
Rental vacancy rate	5.0%	8.6%	7.3%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Chester and Delaware Counties Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	984,365	1,057,865	1,074,000	0.7	0.4
Total households	364,225	391,600	396,200	0.7	0.3
Owner households	268,812	286,540	285,000	0.6	-0.1
Percent owner	73.8%	73.2%	71.9%		
Rental households	95,413	105,060	111,200	1.0	1.5
Percent renter	26.2%	26.8%	28.1%		
Total housing units	380,751	415,364	419,300	0.9	0.3
Owner vacancy rate	1.2%	1.6%	1.5%		
Rental vacancy rate	5.5%	8.9%	8.4%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 1/1/2014—Analyst’s estimates
 Forecast period: 1/1/2014–1/1/2017—Analyst’s estimates

The Philadelphia, PA Metropolitan Division, as defined in this report, is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated December 1, 2009, and does not reflect changes defined by the OMB Bulletin dated February 28, 2013.

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 the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_PhiladelphiaPA_14.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.