

# MARKETBEAT

## Philadelphia

### Multifamily Q4 2017



#### ECONOMIC INDICATORS

##### National

	Q4 16	Q4 17	12-Month Forecast**
GDP Growth	1.8%	2.3%*	▲
CPI Growth	1.8%	2.0%*	▲
Consumer Spending Growth	2.8%	2.6%*	▼
Retail Sales Growth	3.7%	4.3%*	▲

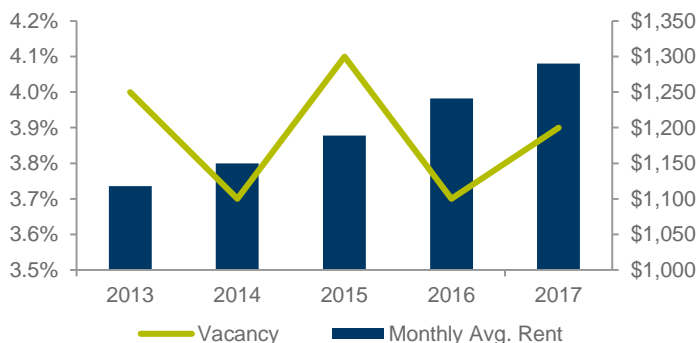
\*Q3 value. \*\*Forecast by Cushman & Wakefield. Values represent year-over-year change.

##### Regional

	Q4 16	Q4 17	12-Month Forecast**
Household Income	\$67,924	\$70,694	▲
Population Growth	0.1%	0.1%	▲
Unemployment	5.1%	4.7%	▼

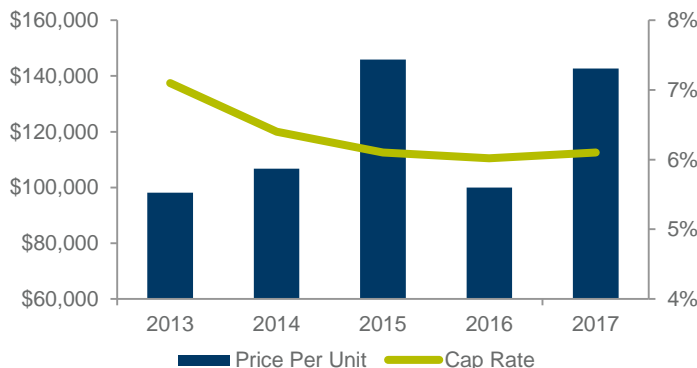
Source: Moody's Analytics

#### Vacancy/Average Monthly Rent



Source: Reis

#### Volume/Cap Rate



Source: Real Capital Analytics

#### Economy

The Philadelphia Metropolitan Statistical Area's (MSA) unemployment rate declined to 4.7% in the fourth quarter of 2017, down 40 basis points (bps) from the fourth quarter of 2016. Philadelphia's total nonfarm employment increased by 1.0% year-over-year, with the education and health services sector experiencing the largest growth over that period, adding 10,800 jobs to the market.

#### Market Overview

The vacancy rate for the Philadelphia MSA's apartment market increased to 3.9% in the fourth quarter of 2017, up 20 bps from the fourth quarter of 2016. The increase in vacancy was due to the 4,040 new units delivered in 2017, the highest annual total on record in the Philadelphia MSA. Despite the increase in new product constructed in 2017, net absorption was positive, with 3,516 units absorbed this year. Asking rental rates increased by 4.0% year-over-year to \$1,290 per unit, up from \$1,241 year-end 2016. Effective rents also increased to \$1,246 per unit in the fourth quarter, a 2.1%-increase year-over-year, up from \$1,220 in the fourth quarter of 2016.

In Center City Philadelphia, the vacancy rate declined to 7.6% in the fourth quarter of 2017, down from 10.3% in the fourth quarter of 2016. Coming off a record year in total construction completions in the downtown market, with 1,624 new units delivered in 2016, absorption was strong in 2017. 1,257 units were absorbed this year, the highest in the market's history, which contributed to the 300-bp decline in vacancy year-over-year. Asking rental rates increased to \$2,185 per unit, a 1.4% -increase from the fourth quarter of 2016 when the asking rate averaged \$2,155 per unit. Despite the increase in asking rents, effective rents declined by 4.7% year-over-year to \$2,018 per unit, down from \$2,118 per unit a year ago. Class A asking rates also declined in 2017, by 0.2%, from \$2,446 per unit year-end 2016 to \$2,441 year-end 2017.

#### Outlook

Construction activity will remain strong in 2018 with 3,826 new units expected to deliver in the Philadelphia MSA. However, by 2019 and 2020, construction activity is forecasted to drop off considerably. Despite the large amount of new construction to come online in 2018, vacancy is forecasted to increase by only 20 bps and absorption is expected to remain positive with 3,143 units to absorb by year-end 2018. Both asking and effective rental rates are expected to increase in the Philadelphia MSA by 3.5% and 2.6%, respectively.

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## Significant 2017 Apartment Sales

PROPERTY NAME	CITY	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Country Lights/The Grand at Neshaminy	Bensalem	AJH Management	Korman Communities	1,072	\$151,500,000	\$141,325
Heights of Collingswood	Collingswood	Morgan Properties	Guggenheim	1,030	\$79,000,000	\$76,699
Hunters Crossing	Newark	AION Partners	Houlihan Parnes	680	\$52,500,000	\$77,206
Foxwood	Newark	Aulder Capital	Fairfield Residential	414	\$44,500,000	\$107,488
Madison Exton Crossing	Exton	Harbor Group International	Equus Capital Partners	405	\$104,000,000	\$256,790
Jefferson on the Creek	Warminster	Prideroock Capital Partners	Blackstone	390	\$63,750,000	\$163,462
Autumn Park	New Castle	Concordia Properties	Metropolitan Management	358	\$35,500,000	\$99,162
Madison at Willowick	Montgomery	Friedman Realty Group	Equus Capital Partners	308	\$62,500,000	\$202,922
Mount Laurel Crossing	Mount Laurel	New York Life	Invesco	296	\$61,000,000	\$206,081
3737 Chestnut	Philadelphia	Korman Residential/Carlyle Group	Radnor Property Group	276	\$118,000,000	\$427,536
Madison Montgomery	Hatfield	Morgan Properties	Equus Capital Partners	264	\$38,500,000	\$145,833
The Apartments At Pike Creek	Newark	Paradise Property LLC	Sentinel Real Estate	264	\$41,000,000	\$155,303
Summer Chase	Montgomery	JMP Group, 5 Cap Realty	Capri	198	\$36,300,000	\$183,333
Pepper Building	Philadelphia	Alterra Property Group/Carlyle Group	TIAA-CREF	184	\$53,250,000	\$289,402

Sources: Real Capital Analytics, Cushman &amp; Wakefield Research Services

## 2017 Notable Construction Pipeline

PROPERTY NAME	ADDRESS	CITY	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Franklin Tower Residences	200 North 16 <sup>th</sup> Street	Philadelphia	PMC Property Group/Lubert Adler	360	Under Construction	Q1 2018
Hanover North Broad	322 & 339 North Broad Street	Philadelphia	Hanover Companies	339	Complete	Q4 2017
Lincoln Square	NWC Broad Street & Washington Avenue	Philadelphia	Kimco Realty/Alterra Property Group	322	Under Construction	Q4 2018
The Ludlow	1101 Ludlow Street	Philadelphia	National Real Estate Development	322	Under Construction	Q2 2018
1213 Walnut	1213 Walnut Street	Philadelphia	Goldenberg Group/ASB Real Estate Investment/Hines	322	Under Construction	Q1 2018
NorthxNorthwest	450 North 18 <sup>th</sup> Street	Philadelphia	Forest City	286	Complete	Q1 2017
The Hamilton (Phase I)	440 North 15 <sup>th</sup> Street	Philadelphia	Radnor Property Group	279	Under Construction	Q3 2018
The Alexander	1601 Vine Street	Philadelphia	The Church of Jesus Christ of Latter Day Saints/Property Reserve, Inc.	276	Under Construction	Q2 2018
One Water Street	250 North Columbus Boulevard	Philadelphia	PMC Property Group	247	Complete	Q1 2017
Park Towne Place Redevelopment-North Tower	220 Benjamin Franklin Parkway	Philadelphia	Aimco	225	Under Construction	Q3 2018
Ludlow II*	1199 Ludlow Street	Philadelphia	National Real Estate Development	240	Under Construction	Q3 2018
4 <sup>th</sup> & Race Street Development	401 Race Street	Philadelphia	Prideroock Capital Partners, LLC	216	Under Construction	Q1 2019
The Atlantic	1401 Spruce Street	Philadelphia	Post Brothers	160	Under Construction	Q3 2018

Sources: REIS, Axiometrics, Cushman &amp; Wakefield Research Services

\*180 units are apartments, the remaining is hotel space

Cushman & Wakefield  
1650 Market Street-33<sup>rd</sup> Fl  
Philadelphia, PA 19103  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Jared Jacobs, Associate Director  
Tel: +1 215 963 4077  
[Jared.Jacobs@cushwake.com](mailto:Jared.Jacobs@cushwake.com)

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