Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	13,487
UNITS DELIVERED (YTD)	4,539

MARKET FUNDAMENTALS

VACANCY RATE	4.6%
YEAR-OVER-YEAR CHANGE	0bps
ASKING RENTS	$1,902
YEAR-OVER-YEAR CHANGE	+2.3%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$196,700

PHILADELPHIA MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Rent growth builds during first half

HIGHLIGHTS

- Multifamily operating conditions across the Philadelphia region remained steady through the first half, as vacancy held near 4.6% despite accelerating deliveries and only modest improvement in job growth.
- Vacancy performance converged across the market's usual dividing lines. Urban and suburban submarkets both tightened during the quarter, while Class A led the improvement despite taking on the bulk of this year's new supply. The average vacancy rate across all properties was 4.6%, unchanged from one year ago.
- Asking rents increased 2.3% year over year to $1,902 per month, while Class A rent growth remained below 1%, and suburban submarkets continued to outpace the urban core for a sixth straight year.
- Investment activity slowed. During the first half, transaction volume fell to roughly $439 million across 16 deals, driven by a shift toward smaller, lower-basis assets, while cap rates widened slightly.

PHILADELPHIA MULTIFAMILY MARKET OVERVIEW

Philadelphia's urban core showed clearer signs of stabilization in the second quarter, as vacancy fell to 5.0%, while suburban vacancy remained essentially flat. The gap between the two narrowed to 80 basis points at midyear, the smallest spread since 2019. The shift was supported by stronger urban absorption, with core submarkets recording roughly 1,650 net move-ins during the quarter, the highest total in the past year, while suburban absorption was slightly negative. That performance came despite uneven local hiring, as job gains were concentrated almost entirely in healthcare while other sectors collectively shed positions. The gap between leasing demand and broad-based job growth points to additional support from migration, including renters relocating from higher-cost Northeast markets and international arrivals offsetting domestic outflows.

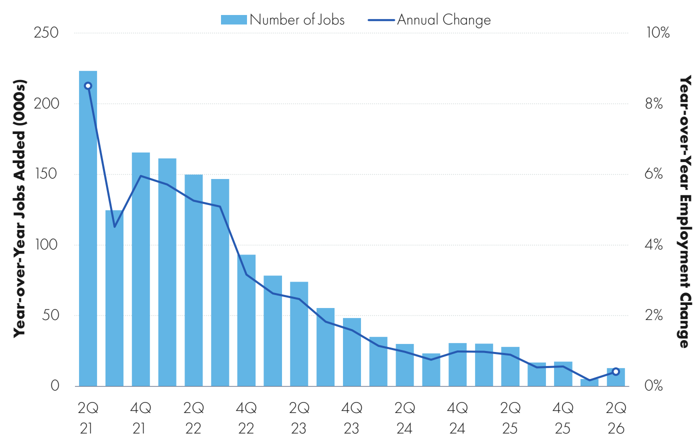
The Philadelphia multifamily investment market saw deal momentum wane in the second quarter even as operating fundamentals improved. First-half sales totaled roughly $439 million across 16 transactions, down approximately 50% from levels recorded during the same period last year. The slowdown was concentrated in the second quarter, when just four properties traded. The first-half median per unit settled at roughly $196,700 per unit as the transaction pool skewed toward smaller, older, lower-basis assets. Cap rates on disclosed deals averaged in the mid-5% range. With buyers and sellers still working toward consensus on value, transaction volume remains the clearest signal in the market, and it points to a pause rather than a decline.

EMPLOYMENT

- Job growth remained soft in the second quarter, with metro payrolls up 12,900 positions year over year, reflecting a 0.4% increase.
- Healthcare and social assistance added 14,300 jobs year over year, a 2.3% gain. The sector accounted for more than the market's entire net job growth, marking a second straight quarter in which all other industries combined posted a net employment decline.
- GSK is preparing to break ground on a $1.2 billion biologics manufacturing facility in Upper Merion. The Montgomery County project is expected to create hundreds of biomanufacturing jobs, extending the region's life sciences base beyond the hospital and outpatient care roles that have driven recent hiring.
- **FORECAST:** Employers are projected to add 30,000 net new jobs in 2026, a 1.0% annual increase. Growth last year totaled fewer than 20,000 net new jobs, but longer-term trends show the market traditionally adds an average of about 40,000 jobs per year.

Employers added 12,900 positions during the past year.

EMPLOYMENT OVERVIEW

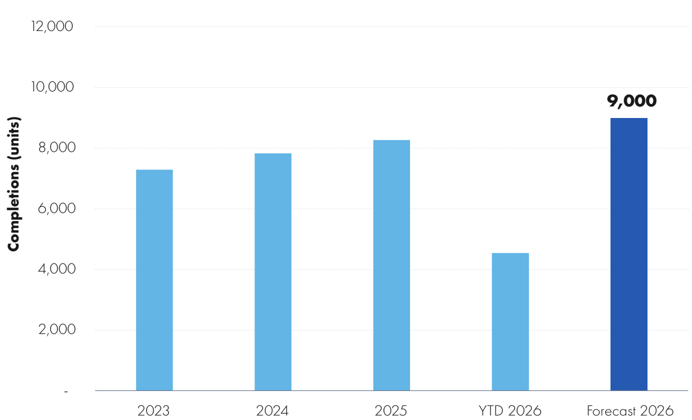


Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

Over 3,200 units were delivered in the second quarter.

DEVELOPMENT TRENDS



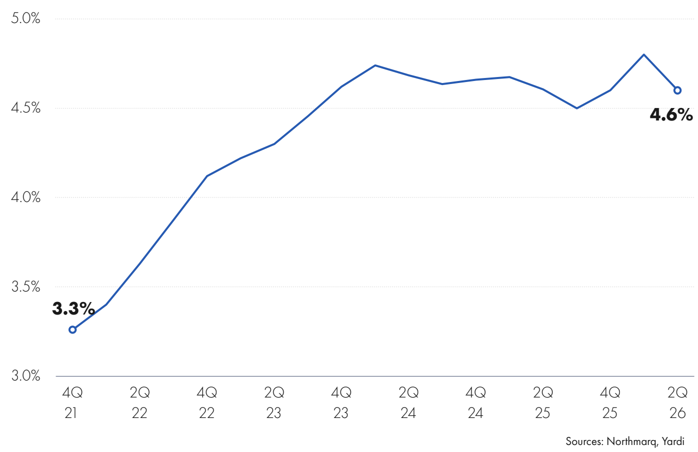
Sources: Northmarq, Yardi

- The Philadelphia metro delivered over 3,200 units in the second quarter, bringing year-to-date completions to more than 4,500 units. Urban submarkets accounted for 84% of deliveries by unit count during the period.
- Units under construction totaled 13,400 at midyear, equal to roughly 4% of existing inventory. The pipeline is now split almost evenly between urban and suburban submarkets, a change from 2025, when roughly two-thirds of projects underway were concentrated in urban locations.
- Multifamily permitting reached 1,700 units in the second quarter, bringing first-half activity to 3,100 units, nearly matching the 10-year first-half average. That benchmark is skewed by an unusually large surge in 2021; excluding that year, permitting is running well ahead of the pace recorded in recent years.
- **FORECAST:** Full-year completions are projected to reach 9,000 units in 2026, above the elevated totals delivered in 2024 and 2025.

VACANCY

Class A vacancy fell to its lowest level since 2023.

VACANCY TRENDS



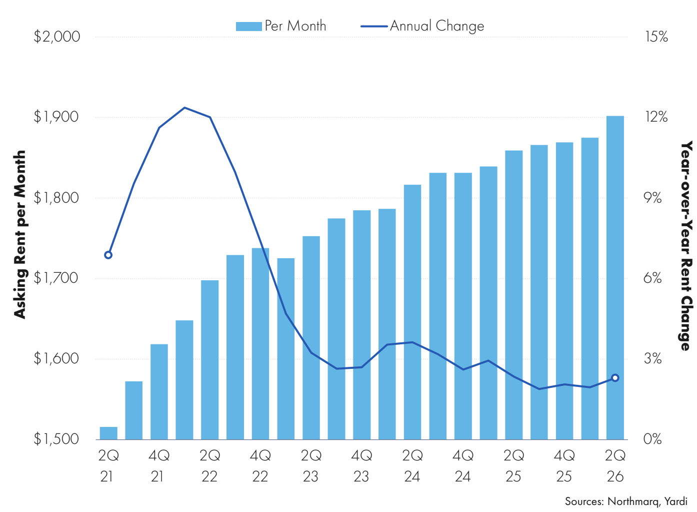
- Vacancy fell to 4.6% in the second quarter, down 20 basis points from the first quarter and essentially flat year over year. The rate has generally remained in the mid-4% range during the past year, even as deliveries continued at an elevated pace.
- The gap between urban and suburban vacancy narrowed to its smallest level since 2019, with urban vacancy easing to 5.0% and the suburban rate rising to 4.2%. Horsham recorded the tightest vacancy among major submarkets at 2.5%.
- Class A vacancy compressed 40 basis points during the quarter and 50 basis points year over year to 4.5%. The segment had remained within a narrow 4.7% to 5.0% range for the previous eight quarters, making its first break below that band since 2023.
- **FORECAST:** Vacancy is projected to close 2026 at 4.7%, just 10 basis points higher than in the same period last year.

RENTS

- Asking rents rose to $1,902 per month in the second quarter, up 2.3% year over year. Rent growth in the suburbs continues to exceed levels recorded in the urban area on an annual basis, up 2.4% compared with 1.9% for urban submarkets.
- Class A rents rose 0.8% year over year to $2,214 per month, one of the softer gains across asset classes, even as Class A vacancy tightened to its lowest level since the third quarter of 2023. The decline in availability has yet to translate into meaningful pricing power.
- Among submarkets with at least 5,000 units, Northeast Philadelphia posted both the highest vacancy rate at 7.8% and the steepest rent decline, with asking rents down 5.0% year over year. Norristown led all large submarkets in rent growth, up 7.5%.
- **FORECAST:** Rents are projected to reach approximately $1,910 per month by year-end, representing 2.2% annual growth. Excluding the 2021 spike, rent growth has averaged 3.4% per year over the past decade.

Asking rents rose to $1,902 per month, up 2.3% annually.

RENTS TRENDS

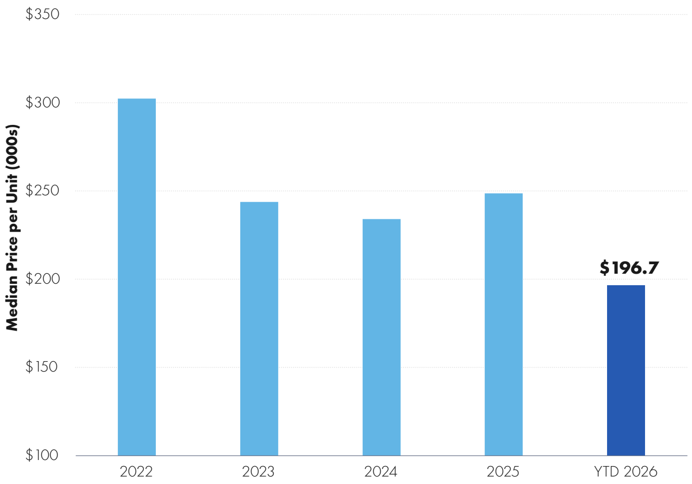


MULTIFAMILY SALES

- Transaction volume totaled approximately $439 million across 16 deals in the first half of 2026, down from $1.09 billion across 28 deals in the same period last year. Average deal size fell approximately $27 million as compared to $39 million a year ago, as smaller assets made up a larger share of what traded.
- The median sale price stood at $196,700 per unit through midyear, compared to about 21% from the full-year 2025 figure of $248,700 per unit.
- New Castle County, Delaware, saw the largest amount of sale activity after recording no first-half sales last year, while Philadelphia County recorded six transactions, as compared to 14 a year earlier.
- Although deal activity in the market remains steady, it remains to be seen if 2026 volume will match 2025 results.

The year-to-date median sale price is $196,700 per unit.

INVESTMENT TRENDS



Sources: Northmarq, REIS

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

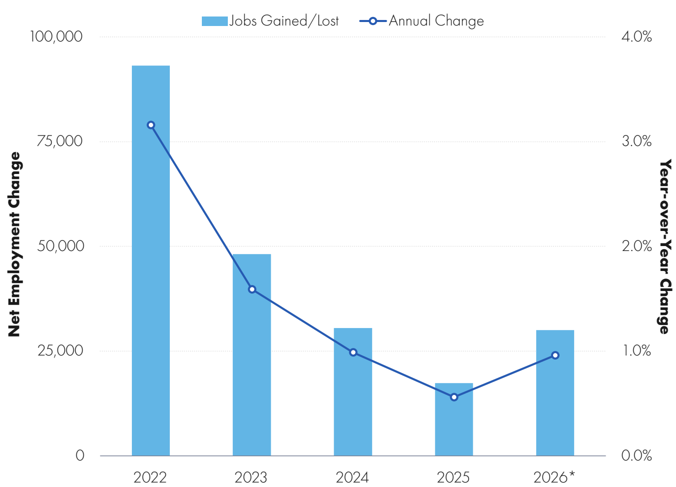
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Spring House at Brandywine	900 Reisling Lane, West Chester, PA	1998	212	$66,250,000	$312,500
Vinings at Christiana	200 Vinings Way, Newark, DE	2001	220	$35,000,000	$159,091
Bryn Mawr Suites	5100 Lebanon Ave., Philadelphia, PA	1955	106	$13,800,000	$130,189
The Varsity Townhomes	120 Wilbur St., Newark, DE	1972	72	$13,461,070	$186,959

LOOKING AHEAD

The composition of new supply is poised to shift more than its volume. Completions will finish 2026 at their cycle high, but the geography shifts sharply after that. Roughly three-quarters of units projected for delivery this year are in urban submarkets, while close to 80% of what remains under construction beyond 2026 is suburban. Developers have also stopped replenishing the pipeline as quickly as it is being delivered, with annual permitting falling short of completions for three consecutive years. Renter demand should remain sufficient to absorb near-term supply, supported by elevated homeownership costs and a labor market anchored by healthcare and education, which account for roughly a quarter of regional employment. The primary uncertainty is migration, as future population growth increasingly depends on international arrivals rather than domestic inflows.

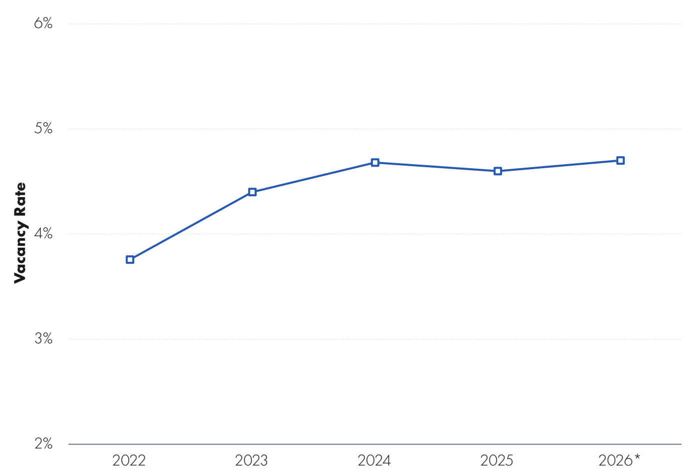
Transaction activity is expected to improve gradually through the second half of 2026 as buyers gain greater clarity around pricing and supply risk. The market still lacks the larger stabilized trades needed to establish firm pricing benchmarks, making values difficult to gauge until more core assets transact. With vacancy rates across Class A, Class B, and Class C properties now closely aligned, investment decisions are likely to hinge more on location, occupancy, and remaining construction exposure than asset class alone. Stabilized properties in submarkets with limited near-term supply, including Far Northeast, Upper Darby-Drexel Hill, King of Prussia, and West Chester, should remain well positioned for buyer interest. Income-restricted assets should also continue to attract capital, supported by durable demand and limited direct competition from new market-rate properties.

EMPLOYMENT FORECAST



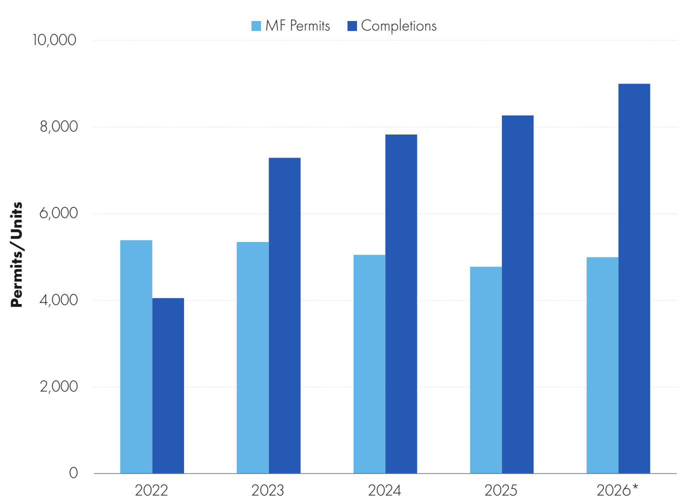
* Year-End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



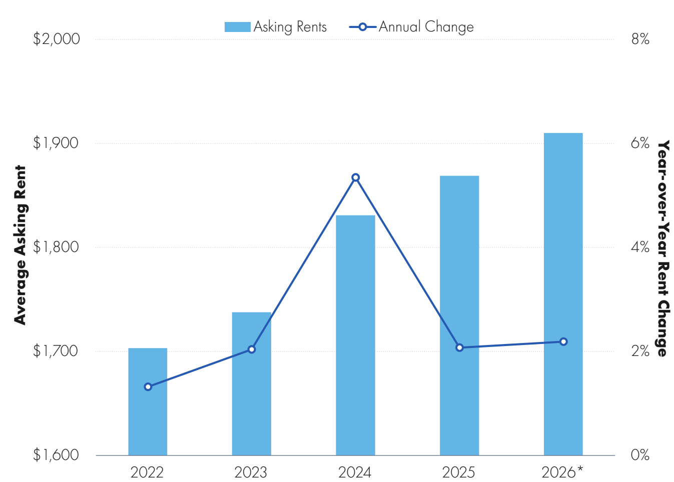
* Year-End Forecast
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



* Year-End Forecast
Sources: Northmarq, YARDI, Census Bureau

RENTS FORECAST



* Year-End Forecast
Sources: Northmarq, Rents

FOR MORE INFORMATION, **PLEASE CONTACT**

LIZANN MCGOWAN
Managing Director, Investment Sales
215.901.4554
lmcgowan@northmarq.com

BRYAN CHESKY
Associate, Investment Sales
610.400.7169
bchesky@northmarq.com

MEG CARTER
Lead Transaction Manager, Investment Sales
860.575.4265
mcarter@northmarq.com

KRIS WOOD
Managing Director, Debt + Equity
215.484.0320
kwood@northmarq.com

JOHN BANAS
Managing Director, Debt + Equity
215.484.0319
jbanas@northmarq.com

JEFFREY STEIGERWALT
Senior Vice President, Debt + Equity
215.484.0494
jsteigerwalt@northmarq.com

PETE O'NEIL, *National Director, Research* | 602.508.2212 | poneil@northmarq.com

JOHN TAGG, *Research Manager* | 972.455.4916 | jtagg@northmarq.com

JOHN SALTER, *Research Analyst* | 602.508.2231 | jsalter@northmarq.com

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