Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	12,830
UNITS DELIVERED (YTD)	8,270

MARKET FUNDAMENTALS

VACANCY RATE	4.6%
YEAR-OVER-YEAR CHANGE	-10bps
ASKING RENTS	$1,869
YEAR-OVER-YEAR CHANGE	+2.1%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$248,700

PHILADELPHIA MULTIFAMILY
Q4 2025

MARKET INSIGHTS

Transaction activity gains momentum in 2025

HIGHLIGHTS

- Philadelphia's multifamily market ended 2025 on stable footing, absorbing its largest supply wave in more than a decade while vacancy remained near recent levels and rents ticked higher in the fourth quarter.
- Vacancy edged up 10 basis points from the prior quarter to 4.6%, remaining roughly in line with the long-term average despite elevated deliveries this year. The urban-suburban divide continued to widen, with suburban vacancy holding tighter at 4.2% compared with 5.2% in the urban core.
- Asking rents closed the year at $1,869 per month, a 2.1% annual gain. Suburban submarkets led performance, posting a 2.9% increase compared with 0.8% growth across urban properties.
- Investment activity totaled approximately $2.0 billion across 57 properties in 2025. The median sale price reached $248,700 per unit, a 6% annual gain.

PHILADELPHIA MULTIFAMILY MARKET OVERVIEW

Greater Philadelphia's multifamily market posted its heaviest year of new supply in more than a decade in 2025, and the demand base held. Nearly 8,300 units delivered into a market supported by approximately 38,000 net new jobs, and vacancy finished 2025 slightly lower than one year earlier. The stress that emerged was concentrated and predictable. The Frankford-Kensington corridor posted a vacancy increase to 10.1% in response to the region's heaviest share of new deliveries. Outside of a few soft spots, performance was mostly healthy. Class B vacancy ended the year at just 4.0%, reflecting continued renter demand for workforce housing amid persistent affordability pressures. The urban-suburban performance gap widened throughout the year, driven more by the impact of new supply than a demand decline. This trend was also reflected in rents; suburban asking rents rose nearly 3% annually against less than 1% growth in the urban core.

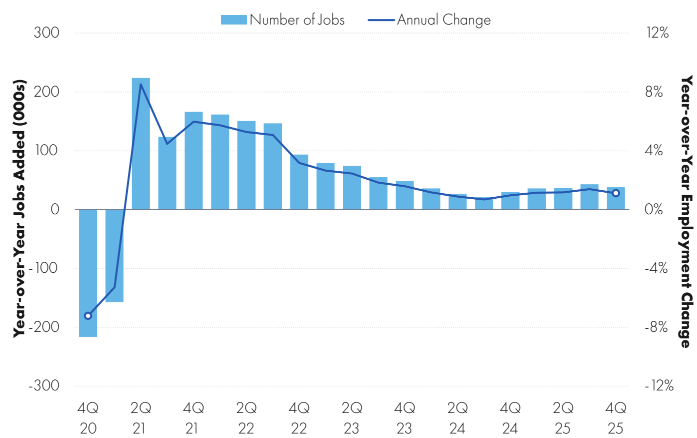
The local multifamily investment market recorded approximately $2.0 billion in transaction volume across 57 properties in 2025, with the deal count rising 39% over the prior year as the buyer pool broadened considerably. While aggregate dollar volume pulled back modestly from 2024, the increase in transaction counts reflects a market in which smaller private and regional buyers re-engaged alongside institutional capital, driving average deal size from roughly $55 million to $35 million. Activity was concentrated in Montgomery County, which led all submarkets with $531 million across 11 transactions, and the Philadelphia CBD, where six trades averaged $324,000 per unit. New construction assets commanded a significant premium over vintage product, averaging $335,000 per unit compared to approximately $240,000 for older garden and mid-rise properties.

EMPLOYMENT

- Philadelphia metro employers added approximately 37,900 jobs over the course of 2025, representing a 1.1% annual gain. This reflects an acceleration from 2024, when the region added fewer than 30,000 positions.
- The health care and social assistance sector remained the region's leading employment driver, posting a 3.9% annual gain that outpaced national growth for the sector. The sector added more than 26,000 net new jobs in 2025, building on a similar increase in the prior year.
- The Bellwether District development reached a significant milestone in the fourth quarter, with Phase 1 delivering over one million square feet of industrial space and beverage manufacturer DrinkPAK signing on as the first anchor tenant. At full buildout, the campus is projected to support 19,000 permanent jobs.
- **FORECAST:** Philadelphia's labor market is expected to remain on solid footing in 2026, with employers projected to add approximately 34,000 net new jobs, translating to annual growth of roughly 1.1%.

Area employers added 37,900 positions in 2025.

EMPLOYMENT OVERVIEW



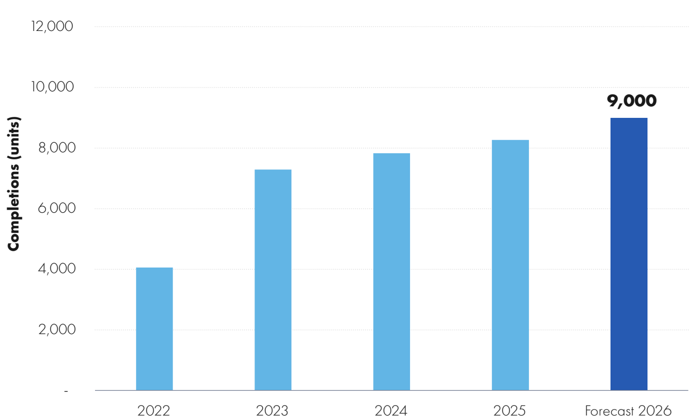
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The Philadelphia metro delivered approximately 8,300 units in 2025, just above 2024's total of 7,800 and representing the market's most active supply cycle in over a decade. Deliveries were skewed toward the urban core, which accounted for 56% of new units, while suburban submarkets made up the remaining 44%.
- Of the 12,830 units currently under construction, nearly two-thirds are concentrated in urban submarkets, with the pipeline particularly dense in the Northern Liberties, Fishtown, and Kensington corridors. Suburban construction activity remains comparatively limited, a dynamic that continues to support tighter vacancy and stronger rent growth outside the city.
- Permitting activity declined in 2025, with roughly 4,700 units permitted, below the 2024 pace.
- **FORECAST:** Completions are projected to reach approximately 9,000 units in the region for 2026. The North-East submarket, encompassing Northern Liberties and Fishtown, will again lead delivery volume with over 2,500 units in the pipeline, while South Philadelphia is emerging as the next concentration of activity, with more than 1,200 units underway among a few significant projects.

In 2025, projects totaling nearly 8,300 units were completed.

DEVELOPMENT TRENDS



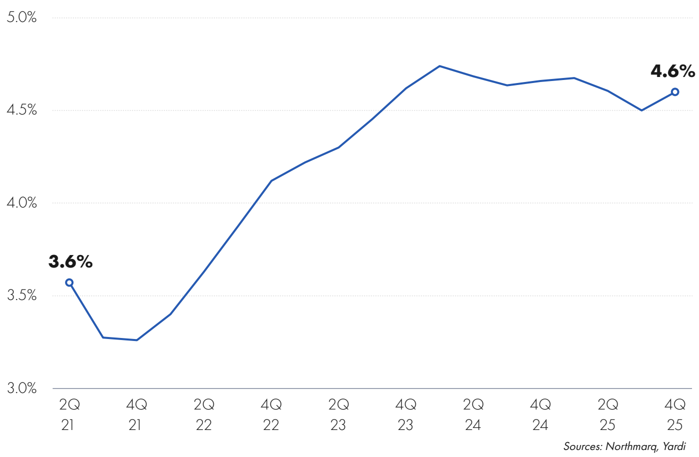
Sources: Northmarq, Yardi

VACANCY

Vacancy compressed 10 basis points year over year to 4.6%.

- Regional vacancy tightened modestly year over year to 4.6%, reflecting a 10-basis-point improvement from the fourth quarter of 2024. Conditions remained stable despite the year's elevated delivery volume, reflecting steady absorption across the metro.
- The urban-suburban vacancy divide continued to widen. Urban vacancy held at 5.2% as newly delivered product was absorbed by the market, while suburban vacancy remained tighter at 4.2%, underpinned by a leaner supply pipeline and renter demand across the counties. King of Prussia and Phoenixville posted some of the market's tightest readings, at 3.3% and 2.8%, respectively.
- The concentration of new deliveries in the Frankford/Kensington corridor pushed vacancy in that submarket to 10.1% in the fourth quarter, the highest rate across the urban core.
- Class B remained the tightest segment at 4.0%, while Class A vacancy sat at 4.9% as delivered product continued to lease up.
- **FORECAST:** By year-end 2026, vacancy is expected to edge down to approximately 4.5% as the market continues to absorb new supply.

VACANCY TRENDS



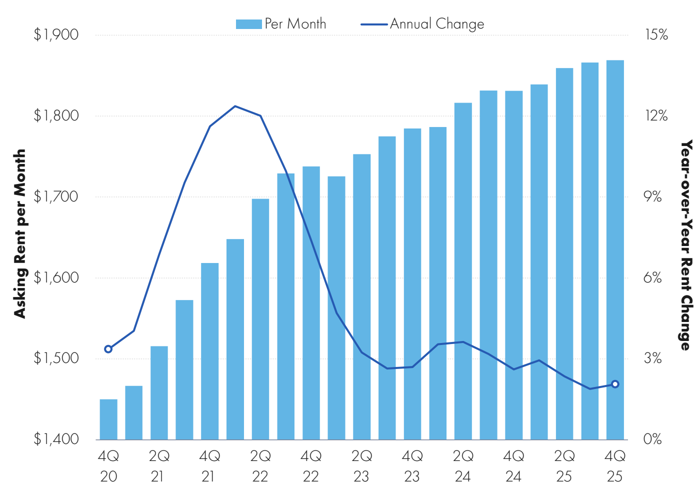
Sources: Northmarq, Yardi

RENTS

- Asking rents ended the year at $1,869 per month, a 2.1% annual gain. While rents continued to rise on a yearly basis, the pace of growth slowed compared with the stronger gains recorded earlier in the year.
- The urban-suburban rent gap persisted in the fourth quarter, with urban asking rents averaging $1,907 per month compared to $1,848 per month in the suburbs. However, suburban submarkets continued to post stronger relative momentum, with supply-constrained submarkets such as Exton-Malvern and Media-Newtown Square leading the region at $2,309 per month and $2,194 per month, respectively.
- Across asset classes, Class C properties led rent growth at 2.2% year over year, outpacing both Class A at 1.7% and Class B at 1.3%, a reflection of persistent affordability pressures.
- **FORECAST:** Area rents are expected to trend higher through 2026. The market is forecast to close the year at $1,900 per month, reflecting a 1.7% annual increase.

Asking rents reached $1,869 per month, up 2.1% annually.

RENTS TRENDS



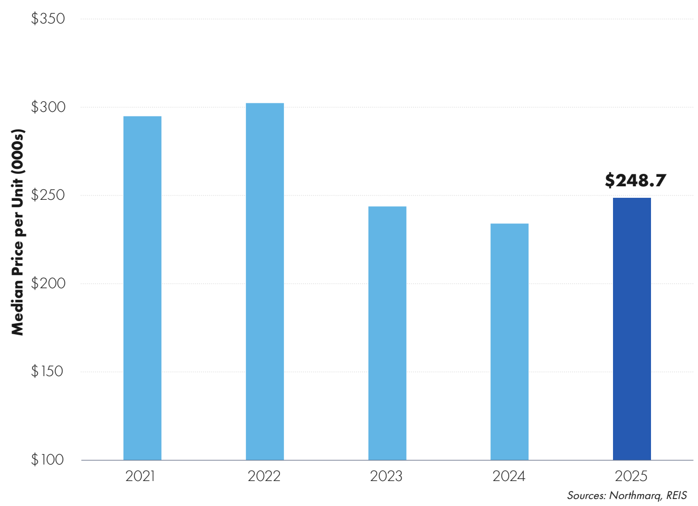
Sources: Northmarq, Yardi

MULTIFAMILY SALES

- In 2025, Philadelphia's multifamily market recorded approximately $2.0 billion in transaction volume across 57 deals, a 39% increase in deal count from 2024. The average deal size fell from roughly $55 million to $35 million, reflecting a transaction mix weighted toward older vintage assets.
- The median sale price recovered to $248,700 per unit in 2025, a 6% gain over the prior year and the first increase since pricing peaked in 2022, though values remain approximately 18% below that high. Newer construction commanded a significant premium, averaging $335,000 per unit compared to $240,000 for vintage garden and mid-rise assets.
- Philadelphia's CBD posted the highest average pricing in the metro at $324,000 per unit across six transactions totaling $423 million, while Montgomery County led all submarkets in total volume at $531 million across 11 deals. Combined, these areas accounted for nearly half of the year's activity.

The number of transactions increased by 39% from 2024.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

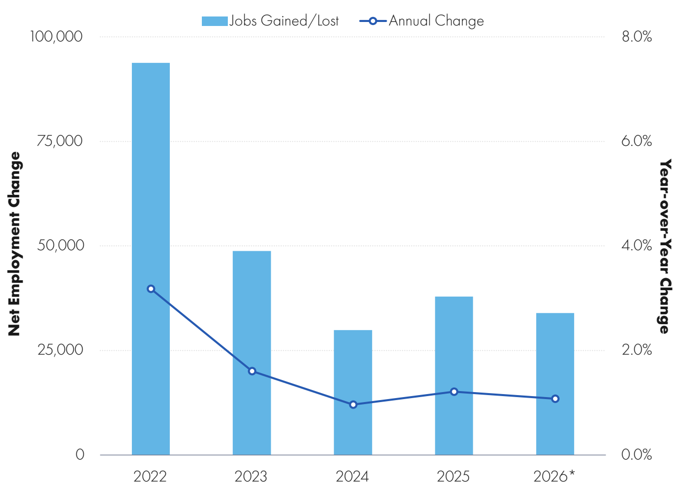
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
One Franklin Town	One Franklin Town Blvd., Philadelphia	1988	335	$94,500,000	$282,090
The Granary	1901 Callowhill St., Philadelphia	2013	229	$82,400,000	$359,825
Victorian Village	420 S. York Road, Hatboro	2008	168	$70,000,000	$416,667
The Lofts At 1835 Arch	1835 Arch St., Philadelphia	1925	191	$60,000,000	$314,136
The Drake	1512 Spruce St., Philadelphia	1929	284	$47,440,000	$167,042

LOOKING AHEAD

Philadelphia's multifamily market enters 2026 at peak delivery volume, with approximately 9,000 units expected to be completed over the course of the year before deliveries slow considerably in subsequent years. Permitting has held relatively steady near 5,000 units annually since 2022 and is forecast to ease modestly in 2026, a gradual cooling that suggests the pipeline is thinning. A healthy labor market and a for-sale housing market that continues to price out a broad segment of would-be buyers should sustain renter demand at a pace sufficient to absorb remaining deliveries. As newly delivered product works through lease-up, vacancy is expected to ease while rent growth strengthens. Suburban submarkets, where new supply has been comparatively limited throughout the cycle, will likely lead that recovery.

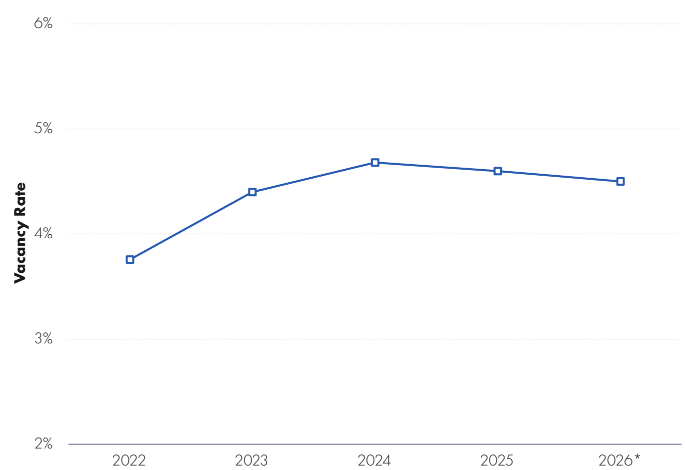
Transaction activity is expected to remain elevated into 2026 as buyers increasingly underwrite to an environment where the current delivery cycle is peaking and the supply outlook beyond 2026 clears considerably. The repricing that weighed on deal flow through 2023 and much of 2024 appears largely complete, and with a pipeline of deals already on market or under contract, volume should hold near 2025 levels before improving further as additional rate cuts expand the buyer pool. Health care and life sciences employment growth, anchored by ongoing development activity in University City and at the Navy Yard, continues to reinforce demand fundamentals across the metro's strongest submarkets. For well-located assets in supply-constrained corridors, the combination of tightening vacancy, improving rent growth, and more favorable financing conditions point toward upward pressure on pricing as the year progresses.

EMPLOYMENT FORECAST



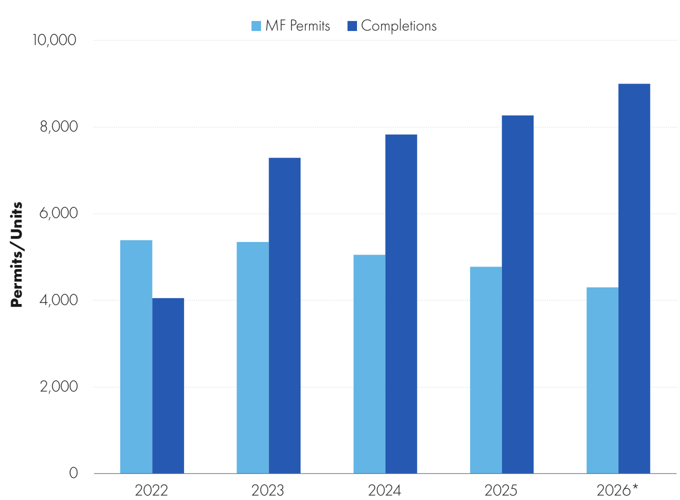
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



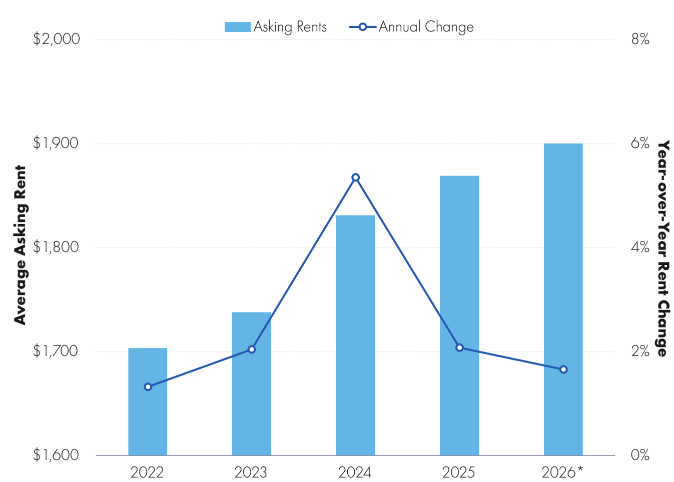
** Year End Forecast*
Sources: Northmarq, Yardi

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, Rents

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