



BeauMonde Originals

CENTER CITY REPORTS | MARCH 2021

Greater Center City Housing: 2021

Building on Resiliency

Greater Center City housing markets showed extraordinary resilience in the last year. While the pandemic impaired many parts of Philadelphia's economy, the housing sector recovered quickly city-wide, buoyed by historically low interest rates and continued interest in city living. From March to June 2020, construction, sales and leasing plummeted. However, after the first wave of the pandemic abated in late spring, local government permitted construction to resume. Leasing and sales quickly rebounded, facilitated by much greater use of digital technology for virtual open houses. In Greater Center City and immediately adjacent areas, there were more new units under construction at the end of 2020 than the end of 2019, driven by local population growth and the movement of people from other metro areas into Philadelphia.

While many workplaces were empty, the stay-at-home order intensified the use of homes, especially for those with multiple adults working remotely. Dining rooms, kitchens and spare bedrooms

were commandeered for work, or as places to accommodate or supervise virtual schooling. As travel, entertainment and dining options contracted those with stable retirement or investment income found that home was the best place to shelter from the storm.

While some decamped for second homes at the beach, the mountains or in warmer climates, there is little evidence of wholesale flight of the middle class from Philadelphia. To be sure, long-term patterns of movement to suburbs continued. However, even with international immigration closed down, Philadelphia continued to experience both local population growth and net migration from other East Coast cities. Philadelphia is emerging as an attractive alternative to other higher-priced cities in the Northeast corridor. As a result, housing prices and rents in Greater Center City and adjacent areas rose in 2020. However, for those whose incomes were limited or lost in the pandemic, housing challenges were compounded, as documented in the final section of this report.

KEY FINDINGS

1. By summer 2020, housing construction, sales and leasing quickly rebounded from the March stay-at-home order. There were 9,400 units under construction in Greater Center City and the adjacent ZIP codes at the end of 2020, a 39% increase from 6,762 units underway at the end of 2019, as the development zone around the downtown continued to expand.

2. Due to the absence of workers, visitors and many cultural amenities, prices in the core declined slightly in 2020 but rose throughout extended Center City and citywide. The rate at which listed houses sold accelerated even as most prices rose. Initially, rents dipped in the core but rose in both the extended neighborhoods and the neighborhoods immediately north of Girard Avenue and south of Tasker Street. Revitalized commercial corridors in these areas benefited from the presence of many people working from home; in turn, this reinforced the attractiveness of these communities. The return of office workers to the downtown is essential to restore the animation and appeal of the core.

3. Despite concerns about people moving to the suburbs, there is little evidence of any accelerated flight from the city. The shutdown of foreign immigration in 2020 did reduce the number of new people moving into the city, but Philadelphia continues to attract more people from Boston, New York and Washington than those moving the other way. The neighborhoods of Philadelphia that are attracting new residents are in close proximity to the center of the city, where 53% of all jobs are located.

4. Low-income renters and homeowners continue to struggle to pay housing costs. What distinguishes Philadelphia from other cities with significant housing cost burdens, however, is not that local housing costs are so high, but rather that incomes are so low. Expanded support for affordable housing is essential. The most effective means to enable all Philadelphians to afford quality housing is for the city to add more family-sustaining jobs. Ultimately, the most important thing local government can do is promote expanding job opportunities through investments in economic development and public policies that make Philadelphia more competitive for business growth.

NEW SUPPLY: UNITS COMPLETED

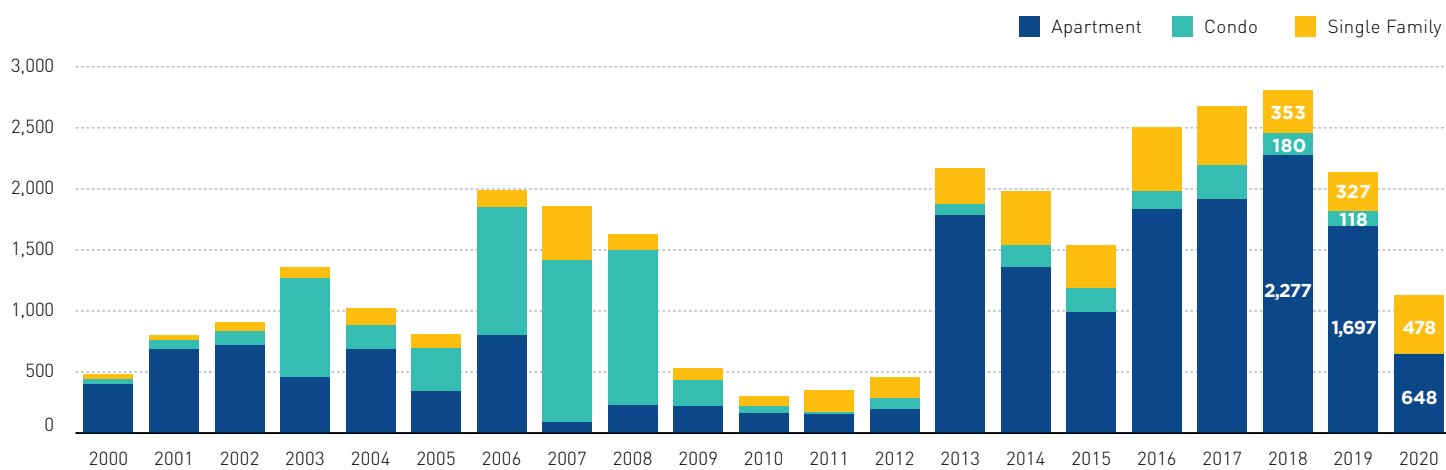
The mandated pause in construction reduced residential completions citywide during the spring and summer months. In Greater Center City, 1,126 units of housing were completed in 2020, just 52% of what was completed in 2019 (Figure 1). Still, Greater Center City, which constitutes just 6% of Philadelphia's land area, was the setting for 27% of the citywide total of new units.

An additional 1,498 units were completed in the five ZIP codes immediately north and south of Greater Center City, bringing the total at the core of the city to 2,624 units, nearly two-thirds of all completed units in Philadelphia for the year (Figures 2 & 3).

As in 2019, the volume of units completed in 2020 in the ZIP codes just north of Greater Center City exceeded the volume completed within Greater Center City.

Within Greater Center City, completed units were concentrated in Point Breeze and Grays Ferry (ZIP code 19146), an area where development consisted primarily of single-family homes and duplexes. Single-family developments were also concentrated in the adjacent ZIP codes to the north of Greater Center City in Fairmount, North Philadelphia, Kensington and Fishtown. Within the core of Center City, development was largely concentrated in mid-rise and high-rise apartments, with 223 units east of Broad Street, including 216 new units in The View at Old City and a few units west of Broad. Overall, 57.5% of new units in Greater Center City were apartments and 42.5% were homes for sale.

FIGURE 1: GREATER CENTER CITY HOUSING COMPLETIONS, 2000-2020



Source: City of Philadelphia Department of Licenses and Inspections

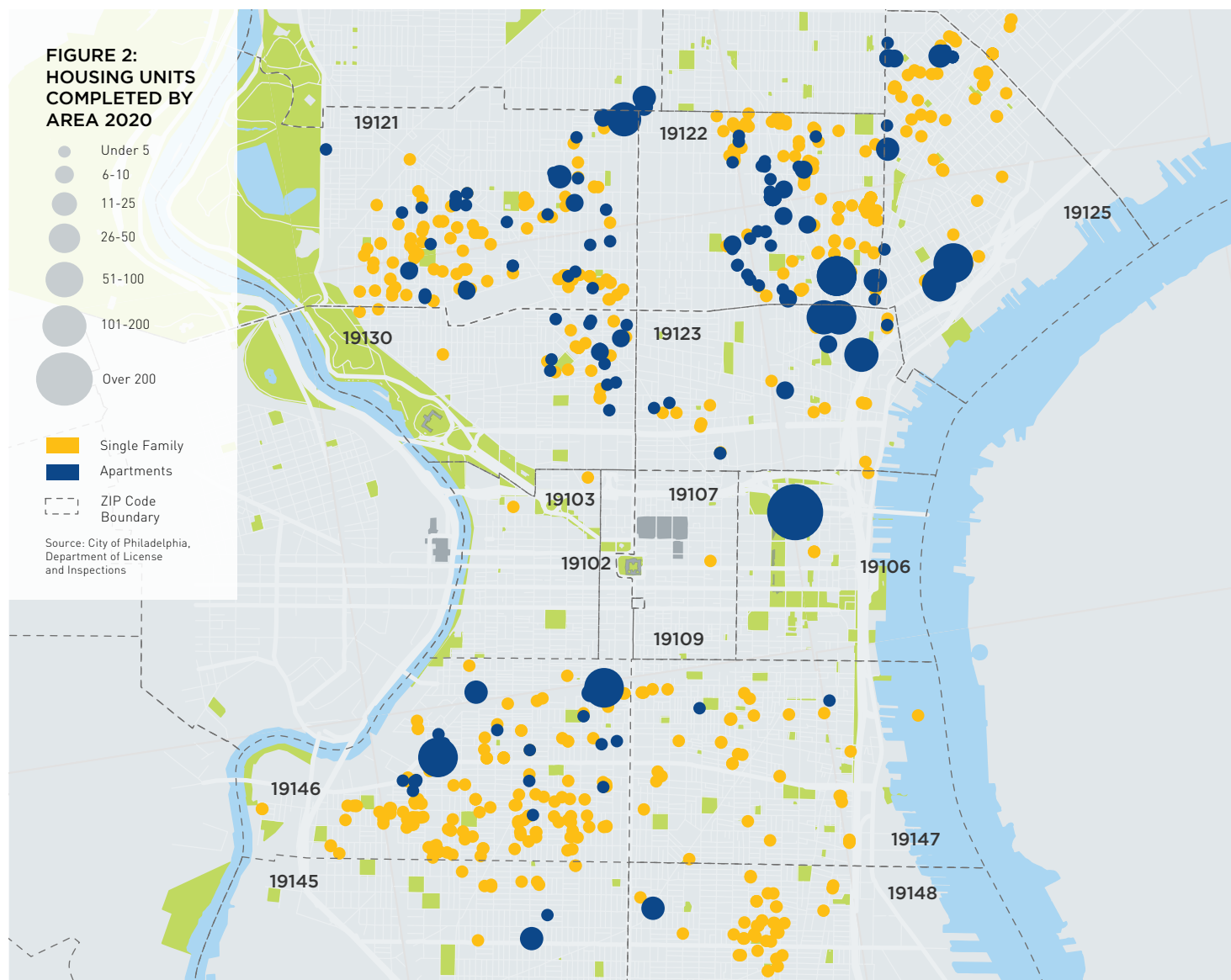


FIGURE 3: HOUSING COMPLETIONS BY AREA OF CENTER CITY, 2020

| AREA (ZIP CODE) | COMPLETED UNITS | % OF COMPLETED UNITS |
|---|-----------------|----------------------|
| Core West (19102, 19103) | 4 | 0% |
| Core East (19106, 19107) | 223 | 5% |
| Core Center City Total | 227 | 6% |
| Extended Northwest (19130) | 108 | 3% |
| Extended Northeast (19123) | 186 | 5% |
| Extended Southwest (19146) | 519 | 13% |
| Extended Southeast (19147) | 86 | 2% |
| Extended Center City Total | 899 | 22% |
| Greater Center City Total | 1,126 | 27% |
| Adjacent Northwest (19121) | 385 | 9% |
| Adjacent North (19122) | 628 | 15% |
| Adjacent Northeast (19125) | 321 | 8% |
| Adjacent North Total | 1,334 | 32% |
| Adjacent Southwest (19145) | 66 | 2% |
| Adjacent Southeast (19148) | 98 | 2% |
| Adjacent South Total | 164 | 4% |
| Adjacent Zip Code Total | 1,498 | 36% |
| Greater Center City and Adjacent Zip Codes | 2,624 | 64% |
| Citywide Total | 4,112 | 100% |

Adjacent ZIP Code Total

1,498

Greater Center City and
Adjacent ZIP Codes

2,624

Citywide Total

4,112

NEW SUPPLY: UNDER CONSTRUCTION

Following the lull in early spring, the volume of new projects rebounded quickly once construction could resume. Low interest rates and concerns about the possible year-end sunset of the 10-year tax abatement, led developers to secure permits for 3,842 new housing units in Philadelphia in 2020, the third highest total of the past 30 years (Figure 4).

The combined effect of the second quarter pause in construction activity and the third and fourth quarter surge meant that the level of construction underway at the end of 2020 exceeded the previous year's total. There were 9,643 units under construction in Greater Center City and the adjacent ZIP codes at the end of 2020, a 43% increase from 6,762 units underway at the end of 2019. The most significant increases in activity were north of the core, in extended Center City (ZIP codes 19130 and 19123), an area that includes Fairmount and Northern Liberties, and in the three northern ZIP codes adjacent to Greater Center City, including parts of North Philadelphia, Kensington, and Fishtown (Figures 5 & 6).

Within core Center City, 1,386 residential units are under construction, concentrated in large projects. The Arthaus on South Broad Street includes 107 condominiums. The Laurel on Rittenhouse Square includes 189 luxury apartment units and 60 condominiums. Riverwalk at Arch Street and the Schuylkill River includes two rental buildings; the first holds 331 units and a Giant supermarket. The adjacent tower at 60 North 23rd street contains 380 units. There are also two smaller projects at 312 North 2nd street and 229 Arch Street.

In extended Center City, there are 3,966 units in progress, concentrated mostly to the north of the core. For example, 1300 Fairmount is nearly complete, bringing 478 units to the market, along with an Aldi grocery store that opened in the fall of 2020.



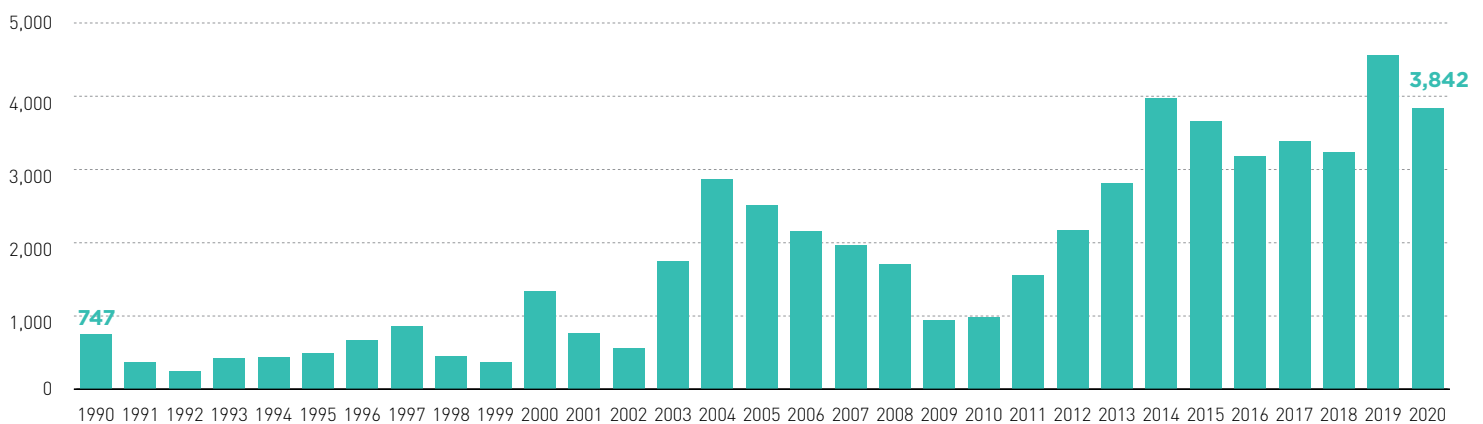
Developments in Kensington

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The largest development in progress is at 1104 North Hancock Street in Northern Liberties. This project, spanning a four-acre lot, will create 861 new units in three buildings. The second-largest multifamily project now underway is located at 510 North Broad Street in Spring Garden with 410 units.

Farther north, in the adjacent ZIP codes, Brewerytown, Fishtown, Kensington, and Port Richmond continue to boom, with 3,990 units in progress. Development is occurring in multifamily projects and townhomes spread throughout the area. In Fishtown (ZIP code 19125), 322 single-family units are in progress, the largest for any ZIP code. In Point Breeze (ZIP code 19146), south of the core, there are 120 single-family units underway.

FIGURE 4: NEW RESIDENTIAL UNITS RECEIVING PERMITS CITYWIDE, 1990-2020



Source: U.S. Census Bureau, Building Permits Survey

**FIGURE 5:
HOUSING UNITS
IN PROGRESS
BY AREA 2020**

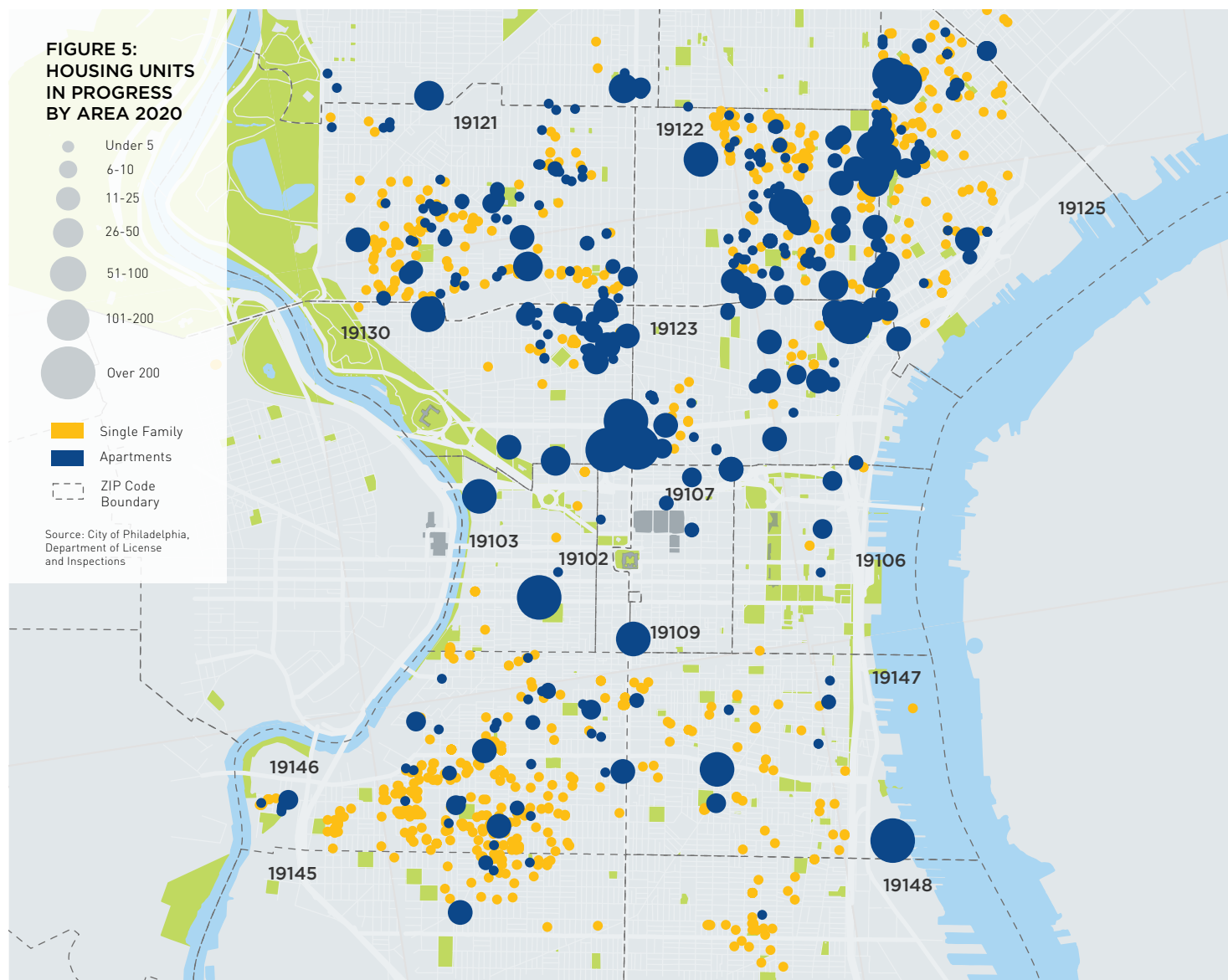


FIGURE 6: HOUSING UNITS IN PROGRESS BY AREA OF CENTER CITY, 2020

| AREA (ZIP CODE) | UNITS UNDER CONSTRUCTION | % OF UNITS UNDER CONSTRUCTION |
|---|--------------------------|-------------------------------|
| Core West (19102, 19103) | 1,192 | 8% |
| Core East (19106, 19107) | 194 | 1% |
| Core Center City Total | 1,386 | 10% |
| Extended Northwest (19130) | 1,331 | 9% |
| Extended Northeast (19123) | 2,030 | 14% |
| Extended Southwest (19146) | 519 | 4% |
| Extended Southeast (19147) | 86 | 1% |
| Extended Center City Total | 3,966 | 28% |
| Greater Center City Total | 5,352 | 37% |
| Adjacent Northwest (19121) | 715 | 6% |
| Adjacent North (19122) | 1,814 | 13% |
| Adjacent Northeast (19125) | 1,461 | 10% |
| Adjacent North Total | 3,990 | 28% |
| Adjacent Southwest (19145) | 226 | 2% |
| Adjacent Southeast (19148) | 75 | 1% |
| Adjacent South Total | 301 | 2% |
| Adjacent Zip Code Total | 4,291 | 30% |
| Greater Center City and Adjacent Zip Codes | 9,643 | 67% |
| Citywide Total | 14,415 | 100% |

Adjacent ZIP Code Total

4,291

Greater Center City and
Adjacent ZIP Codes

9,643

Citywide Total

14,415



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Riverwalk, 60 North 23rd Street



1300 Fairmont Avenue

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The Laurel, 1907 Walnut Street

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MEASURES OF DEMAND

In Philadelphia, a persistent question remains: can we absorb so much new supply? Real estate markets can occasionally overbuild and deliver a surplus. However, Philadelphia is also a city that was so long accustomed to a declining population that it takes a while to adjust to the realities of growth.

FOR-SALE VOLUME, PRICE & VELOCITY:

The pandemic momentarily depressed Greater Center City single-family home and condominium sales in the second quarter of 2020. The market rebounded in the third and fourth quarters as the volume of transactions on a monthly basis surpassed 2019 levels from August to December. The same trend held for citywide sales volumes (Figure 7).

At the same time, prices citywide in 2020 exceeded 2019 numbers every month from February through December (Figure 8).

In Greater Center City, there was an overall dip in market activity for all types of home sales in the second quarter, the high point for the first wave of new COVID-19 cases and for social unrest. Prices then declined in the third quarter, but rebounded in the fourth quarter (Figures 9 & 10).

By separating the sale of all single-family homes from condominium sales in the core of downtown and in the extended neighborhoods, it is possible to see how different geographic subsets of the market responded. Based on Department of Records data analyzed by Kevin Gillen of Drexel University, the volume of all condominium sales in the core dropped in the second quarter of 2020 to 50% below the volume of sales in the second quarter of 2019, after sales had surpassed 2019 levels in the first quarter.¹ The average sale price for condominiums in the core then declined, year-over-year by 34% in third quarter and by 17% in the fourth quarter. This clearly reflects the uncertain conditions in the downtown, where office workers and hotel guests were absent, performing arts institutions were closed and social unrest left stores vandalized and boarded up. The volume of condominium sales in the core rebounded in the fourth quarter as conditions stabilized, plywood was removed and restaurants, retailers and cultural institutions began to reopen.

FIGURE 7: HOMES SOLD IN GREATER CENTER CITY

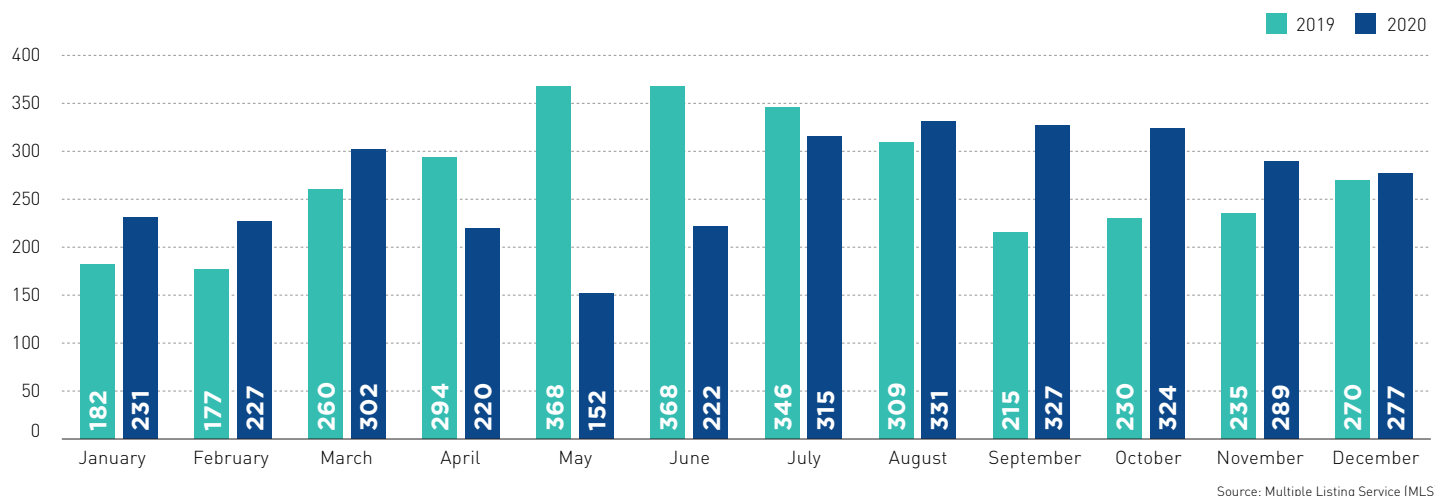
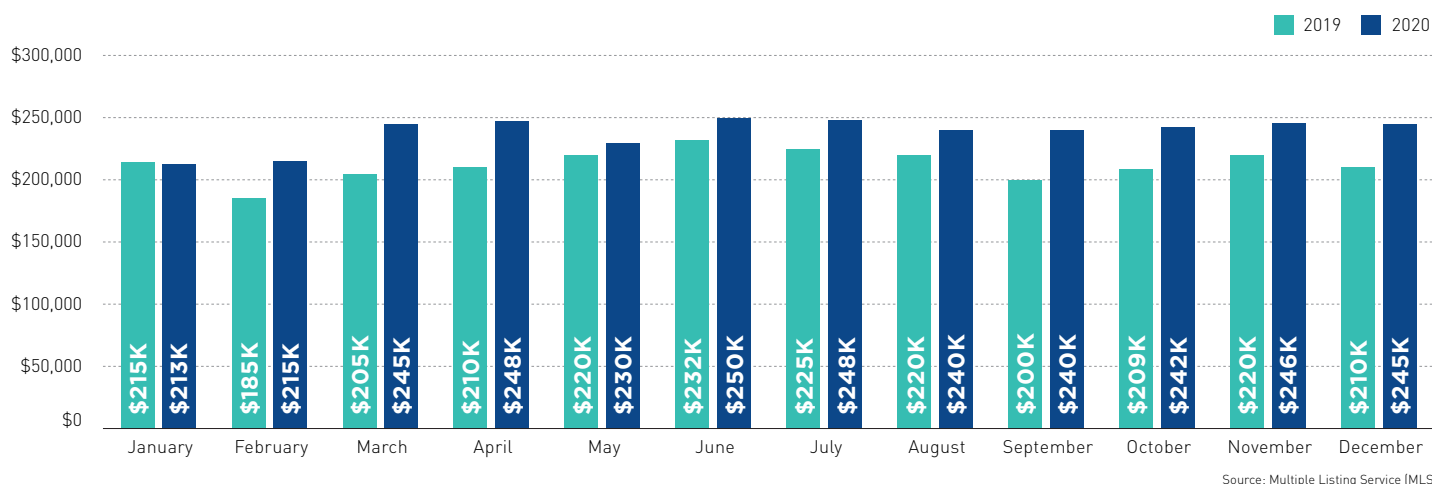
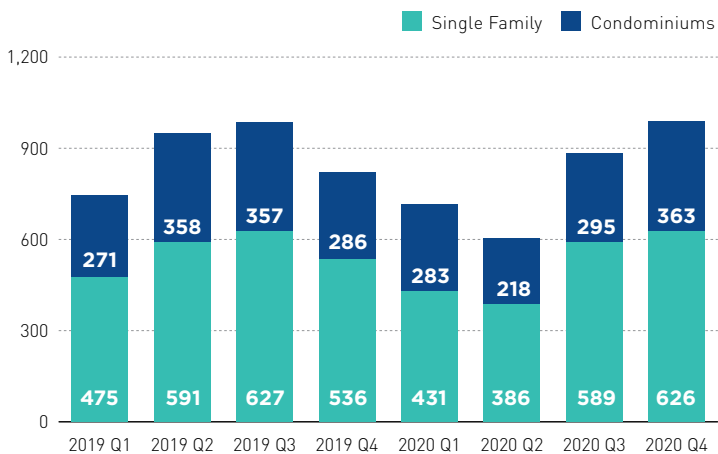


FIGURE 8: MONTHLY MEDIAN MEDIAN SALE PRICE, PHILADELPHIA



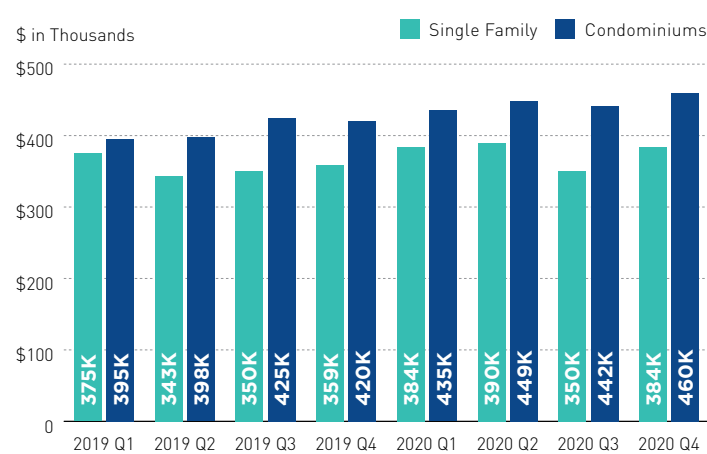
1: Many sales by developers of condominium units do not use a traditional broker and therefore do not show up in the Multiple Listing Service (MLS). However, the Department of Records tracks all transactions and deed changes.

FIGURE 9: RESIDENTIAL SALES IN GREATER CENTER CITY



Source: Kevin Gillen, Lindy Institute - Drexel University

FIGURE 10: MEDIAN RESIDENTIAL SALE PRICE IN GREATER CENTER CITY



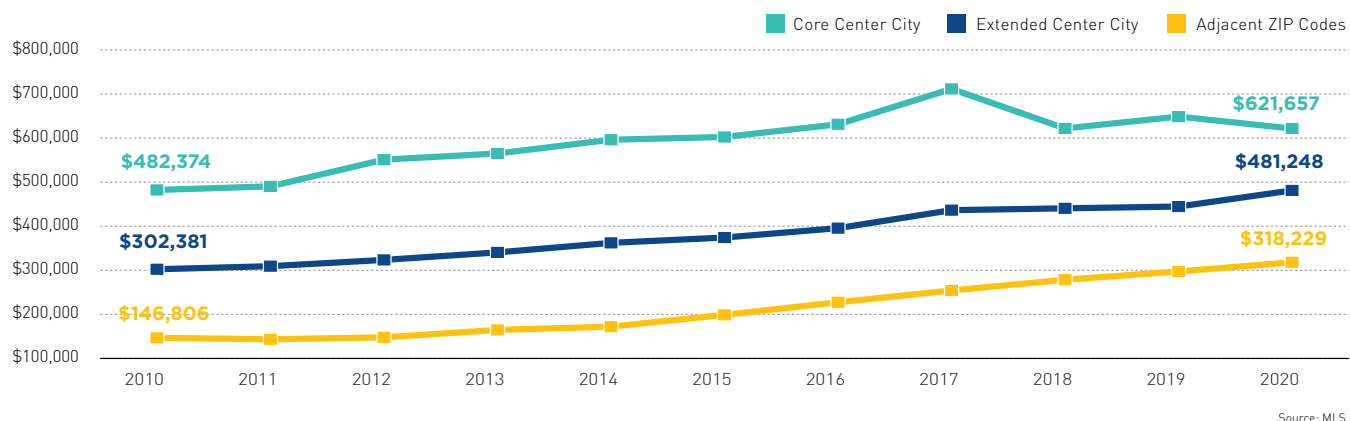
Source: Kevin Gillen, Lindy Institute - Drexel University

The volume of home sales in Greater Center City declined in the 2nd quarter of 2020, but steadily rebounded in the summer and fall.

FIGURE 11: MLS BROKERED RESIDENTIAL SALES IN GREATER CENTER CITY AND ADJACENT ZIP CODES IN 2020

| AREA | SALES | %CHANGE FROM 2019 | AVERAGE PRICE | %CHANGE FROM 2019 | DAYS ON MARKET | %CHANGE FROM 2019 |
|----------------------------------|-------|-------------------|---------------|-------------------|----------------|-------------------|
| CORE CENTER CITY | 732 | -9% | \$621,657 | -4% | 89 | -23% |
| East | 353 | -7% | \$528,279 | -5% | 80 | -25% |
| West | 379 | -11% | \$708,629 | -3% | 97 | -20% |
| EXTENDED CENTER CITY | 2,485 | 12% | \$481,248 | +8% | 53 | -30% |
| North | 764 | 8% | \$466,150 | +6% | 53 | -30% |
| East | 286 | 26% | \$494,654 | +1% | 61 | -28% |
| West | 478 | -1% | \$449,095 | +8% | 48 | -28% |
| South | 1,721 | 14% | \$487,950 | +9% | 53 | -29% |
| East | 689 | 21% | \$516,257 | +5% | 54 | -33% |
| West | 1,032 | 10% | \$469,052 | +11% | 52 | -24% |
| GREATER CENTER CITY TOTAL | 3,217 | 6% | \$513,197 | +3% | 61 | -28% |

Source: MLS

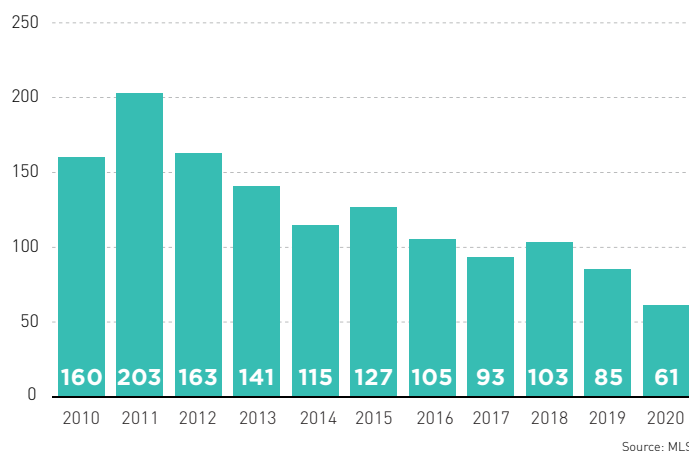
FIGURE 12: AVERAGE HOME SALE PRICE, GREATER CENTER CITY AND ADJACENT ZIP CODES, 2010-2020

By contrast, both average condominium sale prices and average single-family home prices in the extended neighborhoods, most with their own vibrant retail corridors, rose year-over-year in every quarter of 2020. In the fourth quarter, average condominium sale prices in the extended neighborhoods were up 6.2%, while single-family home prices were up 17%. Overall, MLS data for brokered, single-family and condominium sales show prices declined by 4% from 2019 to 2020 in the core but increased by 8% in the extended neighborhoods (Figure 11).

One other factor probably affected housing prices in core Center City: the substantial new supply brought to market in the adjacent neighborhoods in the last decade. Figure 12 shows how prices in extended neighborhoods have continued to rise, even as a substantial new supply of more competitively priced houses has come to market in the five ZIP codes that surround Greater Center City. By contrast, in the face of so much new supply, prices in the core have moderated since 2017.

Another indicator of market vitality is velocity. The average number of days on market for MLS listed homes in Greater Center City continued a decade-long trend, declining from 203 days in 2011 to just 61 days on the market between listing and closing in 2020 (Figure 13). During this time, prices have also been steadily increasing across most of the neighborhoods that surround downtown.

The year 2020 was extraordinarily challenging for most major cities, so it is helpful to compare Philadelphia's housing market to other places. According to Redfin, Philadelphia's median home sale price increased 15% from December 2019 to December 2020, compared to a decrease of 1% in Boston, and a 5% increase in New York.² Research by Drexel University's Kevin Gillen also finds that average home values in Philadelphia increased 12.8% in 2020, more rapidly than the 9.8% increase in the Case-Shiller housing index, which tracks home values in 10 U.S. cities.³

FIGURE 13: DAYS ON MARKET, GREATER CENTER CITY, 2010-2020

Finally, because average prices tracked by MLS are not quality controlled for specific home characteristics nor for home size, they are not a precise measure of the market. Econsult Solutions calculates a Philadelphia Housing Index (PHI) for the city as a whole and for select neighborhoods. PHI controls for changes in the type of housing sold each year. The index shows an adjusted 13% increase in housing prices for Greater Center City in 2020, and appreciation in all but three of the past 20 years (Figure 14).

²: Data provided by Redfin, a national real estate brokerage.

³: Kevin Gillen, Lindy Institute - Drexel University, Philadelphia Housing Report Q4 2020

THE RENTAL MARKET:

Based on asking price data assembled by Zillow, average rents increased from \$1,785 to \$1,815 between 2019 and 2020 in the extended ZIP codes of Greater Center City and from \$1,380 to \$1,397 in the adjacent ZIP codes, while asking rents decreased slightly by 1% from \$1,902 to \$1,883 in the core (Figure 15). However, since some developers of new projects are offering inducements of one or more months of free rent, actual rents received were lower.

Delta Associates' fourth quarter 2020 report, which focuses on larger scale apartment buildings with a broad range of amenities, showed the vacancy rate among existing buildings in Philadelphia rising from 4.7% in December of 2019 to 9.5% in December 2020. Factoring in new buildings still in the lease-up phase, the vacancy rate rose from 6.6% in December 2019 to 11.9% in December 2020.⁴

Conditions vary significantly by location, building type and customer profile. Some buildings are 100% leased. Others that depend on



FIGURE 14: ECONSULT HOUSING PRICE INDEX, GREATER CENTER CITY, 2001-2020

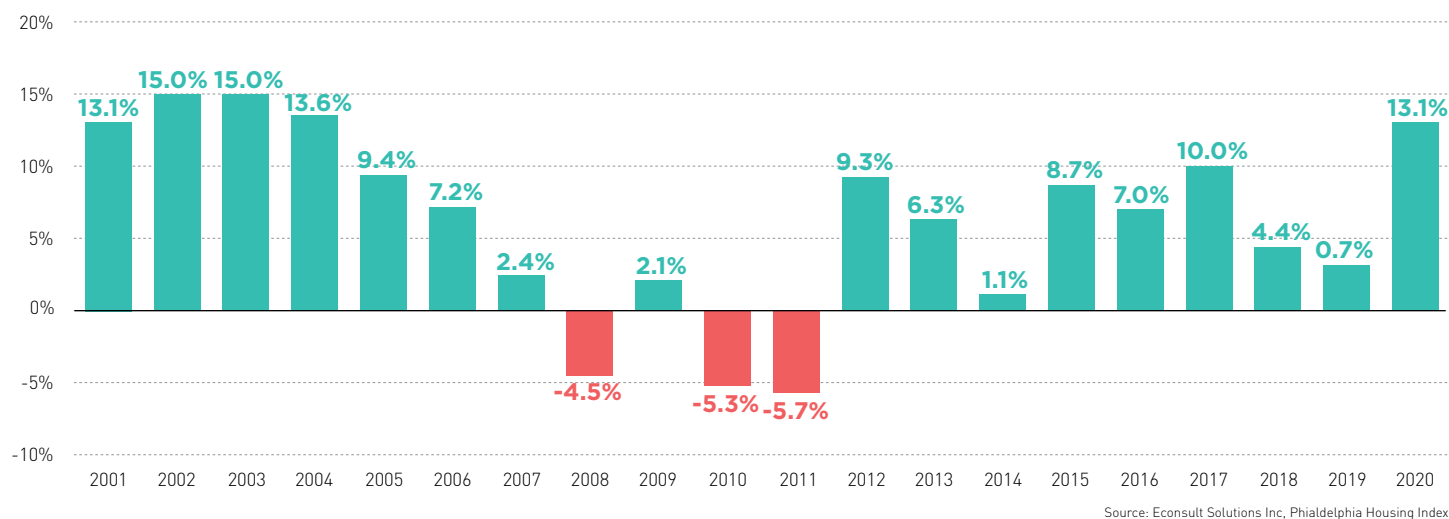
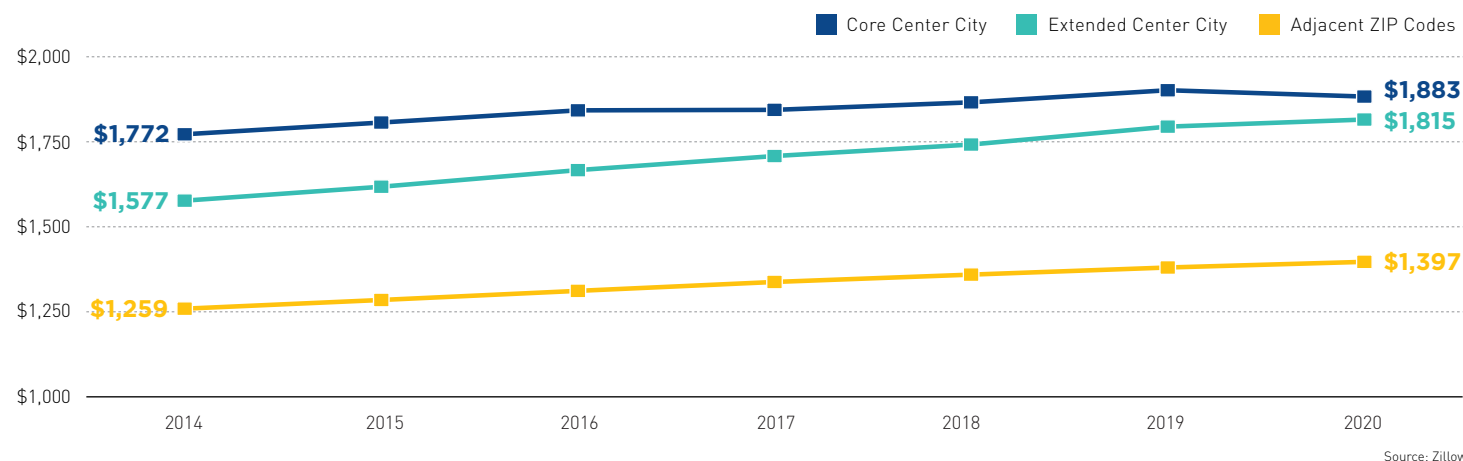


FIGURE 15: AVERAGE MONTHLY RENT, CENTER CITY AND ADJACENT ZIP CODES, 2014-2020



4: Delta Associates' Fourth Quarter 2020 Philadelphia Class A Apartment Market Report

foreign graduate students, for example, are half-empty. One owner of a significant inventory, reports occupancy rates at 92% with rents down 5% year over year. A second developer of two recently completed residential towers in Center City enjoyed occupancy levels of 88% and 96% in the first quarter of 2020. Occupancy levels dropped to a low of 65% in one tower and 75% in the second tower heading into winter. But by March 2021, occupancy levels had rebounded to 85% and 90% respectively and leasing demand remained robust. The overall context for all apartment owners is that significant new supply of more affordable apartments has come online in the extended and adjacent neighborhoods simultaneous with the loss of vitality and social unrest in the core. Office workers for example, usually constitute as much as 50% of the pedestrian traffic in the core. Performing arts institutions are closed. Most hotels have been operating at 10% occupancy rates.

Delta Associates offers this prognosis: “These conditions are temporary – once the COVID-19 vaccines have been widely distributed and the economy begins to improve, we expect the apartment market to recover. It will take some time for rents to bounce back to previous levels, but absorption and vacancy will likely be the first to show some signs of recovery, perhaps by the second half of 2021. Significant rent growth may not return to the market until at least 2022.”⁵

While all major cities face similar challenges, a comparative look at asking rents by Apartment List shows that Philadelphia fared better than five other major markets with more modest declines in citywide rent levels (Figure 16).⁶

FIGURE 16: MONTHLY APARTMENT RENT INDEX, MAJOR CITIES, 2020-21

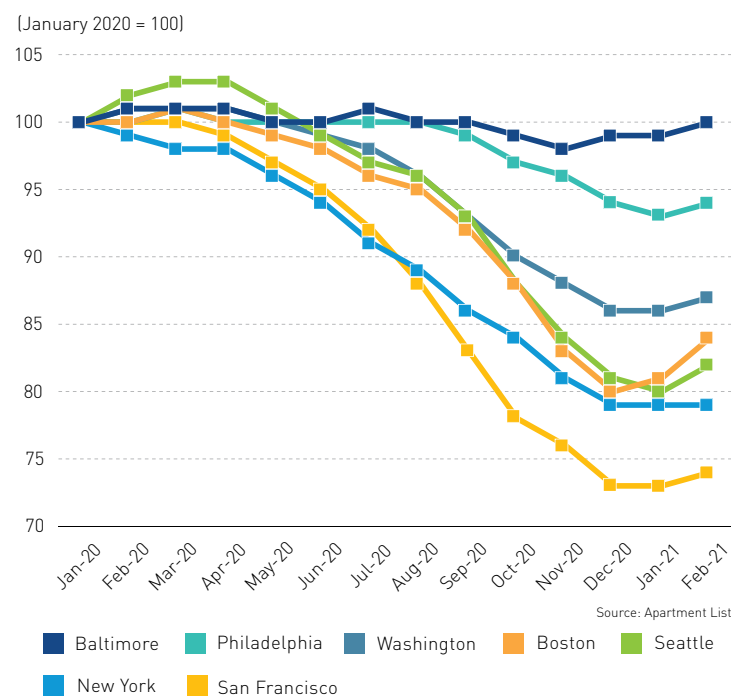


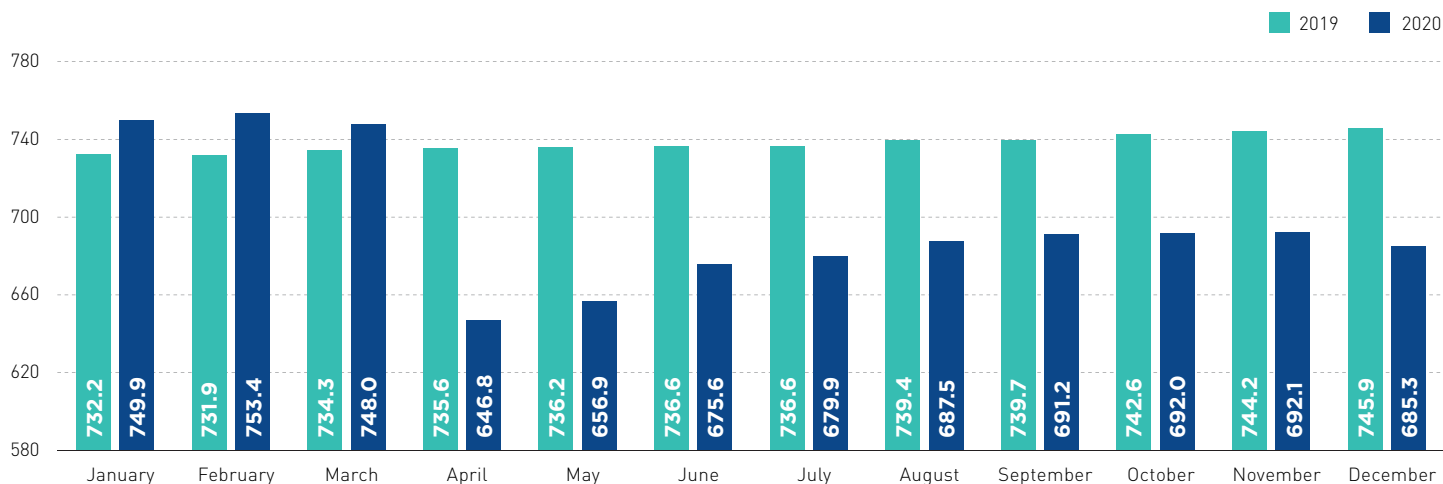
FIGURE 17: POPULATION AND HOUSING CHARACTERISTICS OF CENTER CITY, PHILADELPHIA, AND REGION

| | CORE CENTER CITY | EXTENDED CENTER CITY | GREATER CENTER CITY | PHILADELPHIA | PHILADELPHIA METRO |
|--------------------------------------|---------------------|-------------------------|------------------------|------------------|-----------------------|
| TOTAL POPULATION | 60,978 | 127,497 | 190,000 | 1,559,579 | 6,191,755 |
| Area (Square Miles) | 2.6 | 6.1 | 8.7 | 142.7 | 4,870.0 |
| Population Density (per Square Mile) | 23,453 | 20,765 | 21,565 | 10,929 | 1,271 |
| Average Household Size | 1.65 | 2.13 | 1.89 | 2.60 | 2.60 |
| Percent of Households Owner Occupied | 33% | 56% | 47% | 53% | 67% |
| Percent of Households with Children | 6% | 12% | 12% | 22% | 27% |
| Percent Bachelor's or more | 78% | 61% | 67% | 30% | 38% |
| Median Household Income | \$86,482 | \$76,778 | \$81,157 | \$46,991 | \$56,639 |
| Non-Auto Commuting Mode Share | 96% | 59% | 69% | 42% | 20% |
| Percent No vehicle Households | 48% | 29% | 36% | 30% | 13% |
| AGE DISTRIBUTION | | | | | |
| Percent under 5 | 3% | 6% | 5% | 7% | 6% |
| Percent 5 to 19 | 5% | 9% | 8% | 18% | 19% |
| Percent 20-34 | 44% | 38% | 40% | 26% | 21% |
| Percent 35-54 | 21% | 26% | 24% | 24% | 26% |
| Percent 55 - 64 | 9% | 10% | 10% | 12% | 14% |
| Percent 65 and over | 18% | 12% | 14% | 13% | 16% |

Source: Census Bureau, American Community Survey 2019 five-year estimates, ESRI.

5: Delta Associates, Q4 2020 Philadelphia Class A Apartment Market Report, p. 18.

6: Data provided by Apartment List

FIGURE 18: PHILADELPHIA TOTAL EMPLOYMENT BY MONTH 2019 VS. 2020 (IN THOUSANDS)

Source: Bureau of Labor Statistics, Current Employment Statistics, seasonally adjusted

DRIVERS OF DEMAND

What are the sources of demand for Philadelphia existing and new homes and apartments? Center City remains an attractive residential location due to multiple strengths that have temporarily been interrupted, but not fundamentally disrupted by the pandemic. Very few downtowns can match the extraordinary range and affordability of diverse neighborhoods, architecture styles and housing types located in Greater Center City. Downtown provides proximity to job opportunities, cultural offerings and thousands of retail establishments and restaurants. Walkable and bikeable neighborhoods have unparalleled connectivity via transit and automobile to locations throughout the region and the Northeast. In the last 20 years, most of the pre-automobile commercial corridors in the extended neighborhoods, derelict in the 1970s and 1980s, now offer a broad range of services and amenities provided by many local proprietors. National and regional supermarkets and many big box retailers have created new urban formats.

In 2020, Greater Center City was home to 190,000 residents and 98,800 households. Nearly half of all households were homeowners; 12% had children. Two-thirds of adults possessed a bachelor's degree and median household income exceeded \$81,000. Forty percent of the population was between the ages of 20 and 34. Compared to the Philadelphia region, Greater Center City residents are more likely to possess a college degree, have higher median income, and are far less likely to rely on an automobile to commute to work (Figure 17).

The pandemic resulted in loss of almost 100,000 jobs citywide between March and April, but Philadelphia had recovered 38,500 of those jobs by December 2020 (Figure 18). The biggest losses were in leisure, hospitality, and restaurant and food service, largely

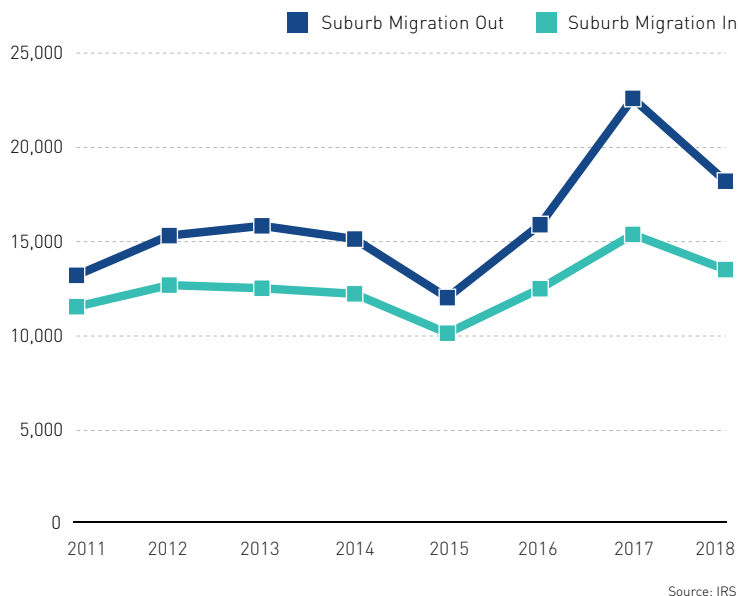
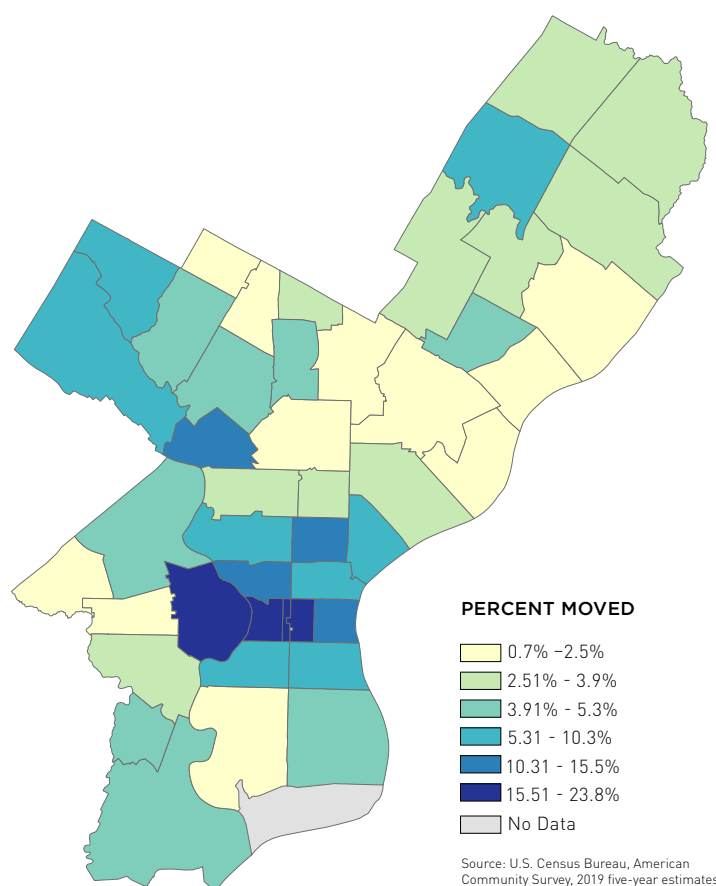
lower-wage jobs dependent on face-to-face interaction, where as many as 45% of jobs were lost. Professional, business and financial services, education and higher skilled health care jobs – the employment base for many of the residents of Greater Center City – have been able to rely far more on telework. Job losses in these sectors have also been less severe – in the 5% to 10% range. Between 35% and 40% of residents of Greater Center City are employed in Greater Center City. Another 10% to 12% have jobs in University City.

POPULATION GROWTH:

According to the U. S. Census Bureau, Philadelphia gained population every year from 2006 to 2019, adding 94,400 residents during that period, a citywide increase of 6.4%. In recent years, the most significant population growth has occurred in Greater Center City and in adjacent ZIP codes to the north. Citywide, population growth has been driven by natural increase (births exceeding deaths) and international migration. These factors were offset by regional domestic out-migration exceeding in-migration. The longstanding pattern of working class and middle income households moving to the suburbs exceeds the number of empty nesters and young professionals moving in (Figure 19). However, while most of those leaving depart from working class and middle income neighborhoods across the city, most of those arriving move to Greater Center City or University City (Figure 20).

From 2010 to 2019, births exceeded deaths in Philadelphia by 72,700, while international migration brought 77,700 new residents to the city. Outmigration to other parts of the country exceeded new domestic arrivals by 91,300. The result was overall population growth of 58,100.⁷

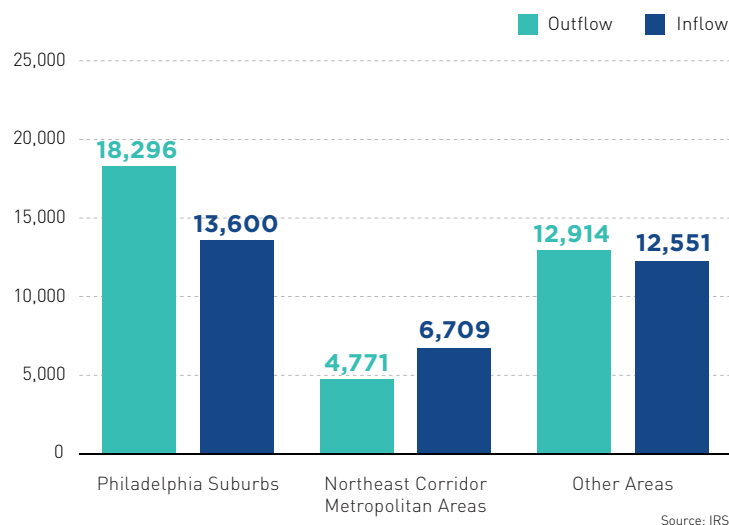
⁷ U.S. Census Bureau, Population Estimates Program. The most recent migration estimates from the Census Bureau's American Community Survey, the 2014-2018 five-year estimate, indicates that average annual domestic in-migration to Philadelphia was 65,941, while average annual domestic out-migration from Philadelphia was 75,147, for net out-migration from the city to other points in the U.S. of 9,206. Average international migration to the city over this period was 12,710. International migration to Philadelphia thus exceeded net domestic migration from the city by 3,504.

FIGURE 19: MIGRATION BETWEEN PHILADELPHIA AND SUBURBS, 2011-2018**FIGURE 20: PERCENT OF POPULATION WHO MOVED INTO ZIP CODE WITHIN PAST YEAR**

Those moving to Philadelphia choose the neighborhoods that surround downtown in close proximity to jobs and academic institutions.

The pandemic may have altered these trends, at least temporarily. Research by the Federal Reserve Bank of Cleveland suggests that *net migration* from cities, including Philadelphia, increased substantially in 2020.⁸ However, the loss was not a result of increased departures but rather of decreased arrivals, particularly resulting from curtailment of foreign immigration by a federal government that was explicitly discouraging it. It remains to be seen what happens with immigration as the pandemic recedes and policies change with a new administration.

Figure 20 depicts those ZIP codes with high percentages of new residents arriving each year between 2015 and 2019. The importance of job concentration (53% of all Philadelphia employment is in Center City and University City), and the presence of college campuses that draw more than 100,000 students each year, are readily apparent.⁹

FIGURE 21: PHILADELPHIA MIGRATION TO AND FROM SUBURBS, OTHER NORTHEAST CITIES, 2017 TO 2018

⁸: Federal Reserve Bank Cleveland, Did the COVID-19 Pandemic Cause an Urban Exodus?, 2021

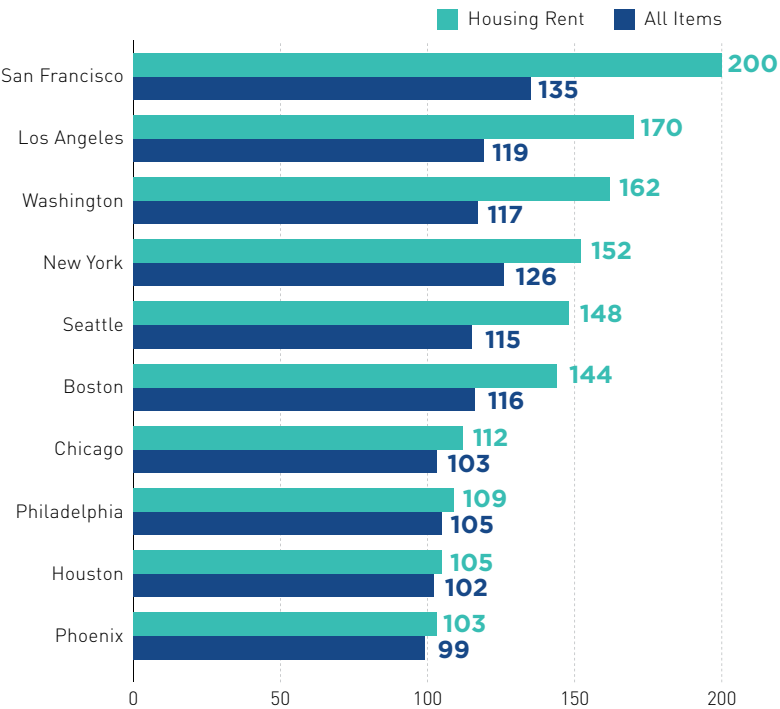
⁹: U.S. Census Bureau, Longitudinal Employment Household Dynamics LEHD



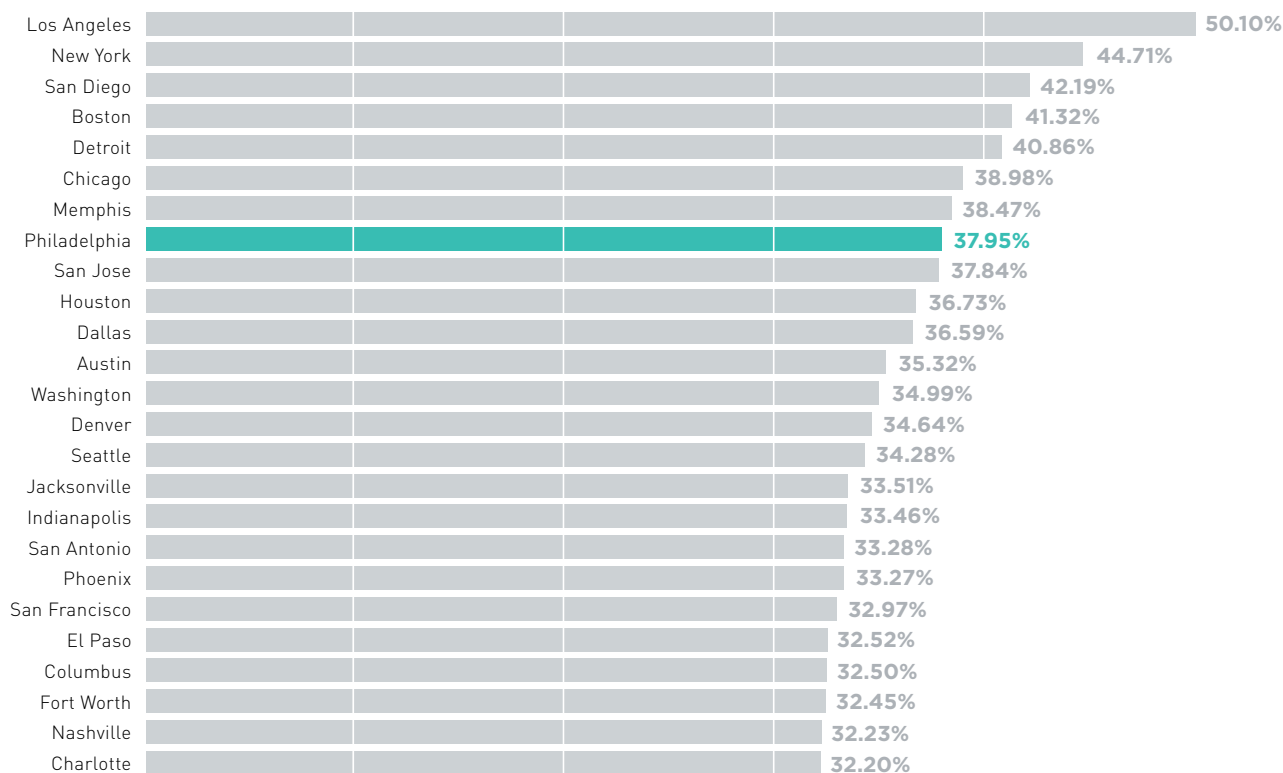
IRS data also indicates that between 2017 and 2018, 6,709 households moved to Philadelphia from other major Northeast regions – including Washington, Baltimore, New York and Boston. This number exceeded the number of households moving from Philadelphia to these destinations by nearly 2,000 (Figure 21). This suggests Philadelphia’s growing competitiveness relative to other large Northeast cities.¹⁰

In addition to the presence of jobs, colleges, universities and teaching hospitals, Philadelphia offers both a high quality of life and housing affordability. Housing prices in the Philadelphia region, according to the Bureau of Economic Analysis, are close to the national average, but well below prices in Washington, New York and Boston (Figure 22).

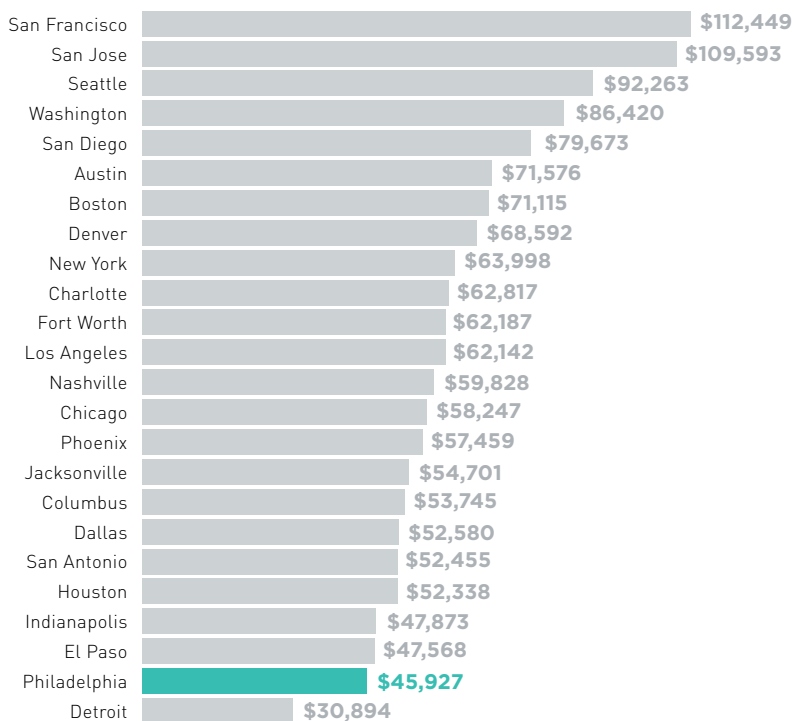
FIGURE 22: REGIONAL COST OF LIVING INDEX (REGIONAL PRICE PARITY) FOR ALL ITEMS AND HOUSING RENTS, 2019



10: Internal Revenue Service, Migration Data 2017-2018

FIGURE 23: PERCENT OF COST-BURDENED HOUSEHOLDS, HOMEOWNERS AND RENTERS, 2019

Source: US Census Bureau, American Community Survey, 2019 five-year estimate

FIGURE 24: MEDIAN HOUSEHOLD INCOME, 2019

Source: U.S. Census Bureau, American Community Survey, 2019 five-year estimate

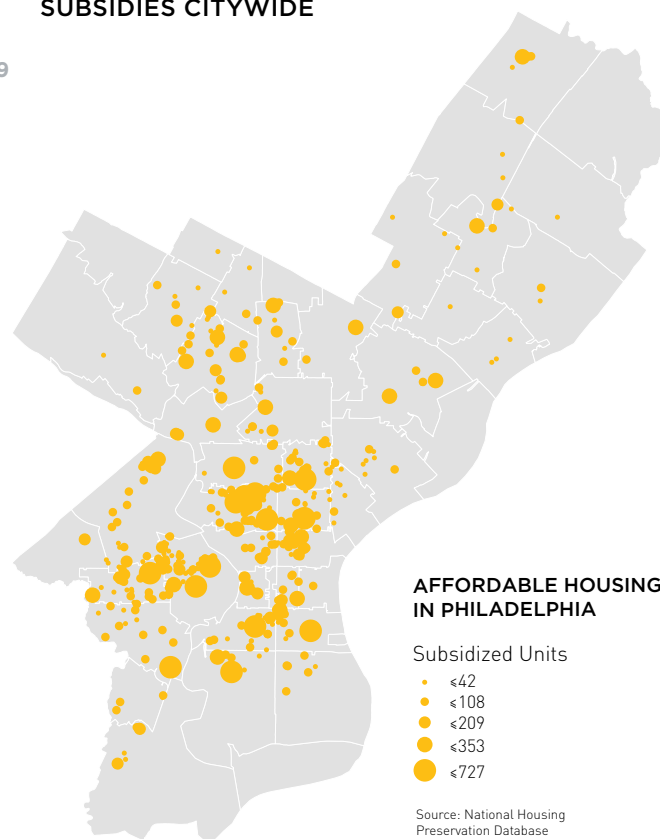
FIGURE 25: HOUSING WITH ACTIVE SUBSIDIES CITYWIDE

FIGURE 26: PHILADELPHIA HOUSING COST BURDENS BY INCOME CATEGORY, 2019

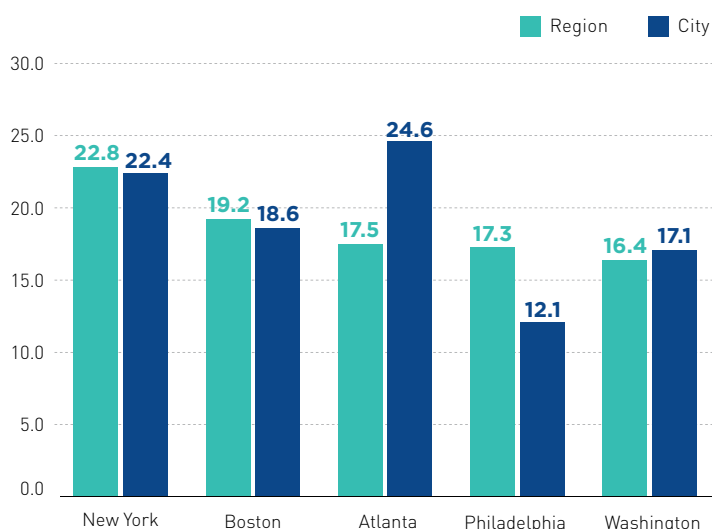
| OWNER OCCUPIED HOUSEHOLDS | OWNER OCCUPIED HOUSEHOLDS | COST BURDENED | PERCENT COST BURDENED |
|------------------------------|------------------------------|---------------|--------------------------|
| Total Households with Income | 318,872 | 87,153 | 27% |
| Less than \$20,000 | 46,991 | 37,664 | 80% |
| \$20,000 to \$34,999 | 44,666 | 20,958 | 47% |
| \$35,000 to \$49,999 | 38,875 | 13,355 | 34% |
| \$50,000 to \$74,999 | 54,083 | 10,306 | 19% |
| \$75,000 or more | 128,066 | 4,870 | 4% |
| Zero or Negative Income | 6,191 | 6,191 | 100% |
| No Cash Rent | NA | NA | NA |

| RENTER OCCUPIED HOUSEHOLDS | RENTER OCCUPIED HOUSEHOLDS | COST BURDENED | PERCENT COST BURDENED |
|------------------------------|-------------------------------|---------------|--------------------------|
| Total Households with Income | 282,465 | 141,074 | 50% |
| Less than \$20,000 | 80,334 | 70,829 | 88% |
| \$20,000 to \$34,999 | 47,306 | 40,043 | 85% |
| \$35,000 to \$49,999 | 36,305 | 19,283 | 53% |
| \$50,000 to \$74,999 | 39,722 | 8,476 | 21% |
| \$75,000 or more | 56,174 | 2,443 | 4% |
| Zero or Negative Income | 11,722 | 11,722 | 100% |
| No Cash Rent | 10,902 | 0 | 0 |

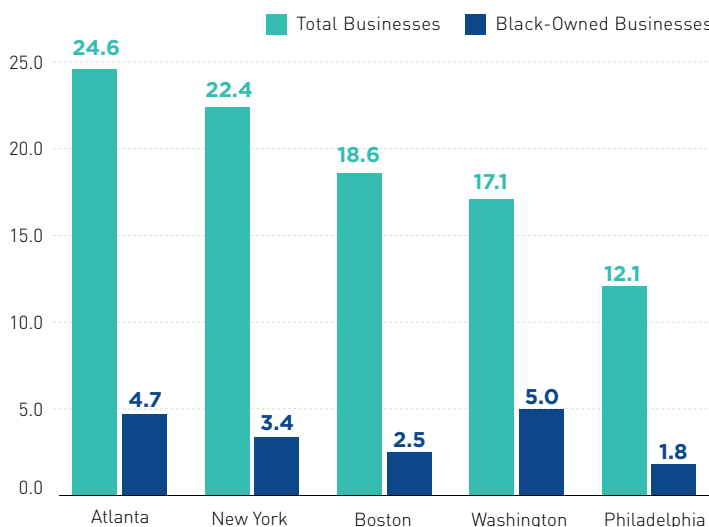
| TOTAL HOUSEHOLDS | TOTAL HOUSEHOLDS | COST BURDENED | PERCENT COST BURDENED |
|------------------------------|------------------|---------------|--------------------------|
| Total Households with Income | 601,337 | 228,227 | 38% |
| Less than \$20,000 | 127,325 | 108,493 | 85% |
| \$20,000 to \$34,999 | 91,972 | 61,001 | 66% |
| \$35,000 to \$49,999 | 75,180 | 32,638 | 43% |
| \$50,000 to \$74,999 | 93,805 | 18,782 | 20% |
| \$75,000 or more | 184,240 | 7,313 | 4% |
| Zero or Negative Income | 17,913 | 17,913 | 100% |
| No Cash Rent | 10,902 | 0 | 0% |

Source: US Census Bureau, American Community Survey, 2019 five-year estimate

What distinguishes Philadelphia from other cities with significant housing cost burdens is not that local housing costs are so high, but rather that incomes are so low.

FIGURE 27: BUSINESSES PER 1,000 RESIDENTS, CITY AND REGION, 2017

Source: U.S. Census Bureau, Annual Business Survey and American Community Survey 2017 one-year estimates.

FIGURE 28: TOTAL BUSINESSES AND BLACK-OWNED BUSINESSES PER 1,000 RESIDENTS, MAJOR CITIES 2017

Source: U.S. Census Bureau, Annual Business Survey and American Community Survey 2017 one-year estimates.

THE AFFORDABILITY CHALLENGE

Philadelphia's renewed economic strength and attractiveness pre-pandemic fueled demand for new market-rate housing development in relatively limited portions of the city. The ability for all Philadelphians to afford quality housing will improve when the city adds more family-sustaining jobs and incomes rise.

In 2019, 38% of Philadelphia households paid at least 30% of their income for housing, the threshold typically used to determine whether households face a housing cost burden. The proportion of cost-burdened households places Philadelphia well below high-priced markets like Los Angeles, New York and Boston (Figure 23).

Among renters, 50% of Philadelphia households are cost burdened, fourth highest of the 25 largest cities. What distinguishes Philadelphia from other cities with significant housing cost burdens however is not that local housing costs are so high, but rather that incomes are so low. In 2019, Philadelphia's median household income was \$45,927, ranking 24th among the 25 largest cities. (Figure 24). Almost 220,000 households, 36% of all city households, make less than \$35,000 per year (Figure 26).

Philadelphia currently has 33,667 units of subsidized housing and while that number represents an increase of 612 units from 2019, it is hardly enough to meet current demand (Figure 25). Households may qualify for housing assistance based on their income, but the number of units and vouchers available is insufficient to serve all families that qualify. While one-time funding from the American Rescue Plan will help low-income residents with this year's housing costs, the bigger problem is the low density of accessible jobs in Philadelphia, compounded by the city's dearth of family-sustaining jobs.

Among five major East Coast cities, Philadelphia has the lowest number of businesses per resident, the lowest number of Black- and brown-owned businesses per resident and the greatest disparity between Black-owned businesses and all businesses (Figures 27 and 28).

The economic downturn caused by COVID-19 has exacerbated the challenges faced by many Philadelphia households because so many hourly service jobs have been lost. Lower income homeowners are falling behind in mortgage payments, while renters struggle to meet obligations. State and local rental assistance programs, eviction moratoria, and federal economic relief packages can help. However, the long-term challenge, present before 2020, remains unchanged: too few Philadelphia households have income sufficient to afford housing available in their communities. The city cannot address this problem alone, but it can advocate for more robust ongoing federal and state housing assistance programs, and find creative ways to support production of affordable housing. Ultimately, however, the most important thing local government can do is promote greater job opportunities through investments in economic development and public policies to make Philadelphia more competitive.