



2024

3RD

QUARTER

REPORT



PAAHQ.COM

MASSIVE NEW SUPPLY DROVE THIRD QUARTER RESULTS

After an encouraging but mixed second quarter for Pennsylvania multifamily, the third quarter presented similarly muddled performance results. Of the various metrics usually referenced to evaluate industry performance, new supply featured most prominently in the quarter. However, there was plenty more to unpack from the quarter. All numbers will refer to conventional properties of at least fifty units.

New Supply and Net Absorption

More than 5,300 new units were delivered across the state in the third quarter, up from roughly 4,600 new units in the second quarter. This level of new supply was well beyond the norm for this time of year. No other third quarter in the last five years saw more than 2,000 new units delivered.

The vast majority of the new supply was delivered in the Philadelphia metro area. More than 3,500 new units there made the area the only metro in the state to see even 1,000 new units in the period. The total there more than doubled last year's deliveries in the same portion of the year. The Harrisburg – Carlisle metro saw nearly 800 new units introduced for second most in the state.

While new supply was considerably higher than usual, net absorption in the period underperformed relative to the same quarter of 2023. Net absorption of approximately 1,800 units fell short of last year's roughly 2,400 net absorbed units in the third quarter. Even so, apartment demand in the third quarter of this year did manage to outperform the second quarter.

Encouragingly, net absorption specifically for stabilized properties showed improvement. After suffering a net loss of leased units in the third quarter of both 2022 and 2023, stabilized properties managed a net gain of almost 300 leased units in the period this year. That level of demand slightly bettered the total from the second quarter as well. As would be expected for a quarter in which new supply surpassed net absorption by a considerable margin, average occupancy gave up notable ground. A 100-basis point decline in the period brought the statewide average to 89%. However, for those properties that entered 2024 already stabilized, the average closed September at a more robust 95%.

Average Effective Rent and Lease Concessions

Rent growth continued to truck along at a decent clip in the period, especially relative to the nation. Whereas the national average effective rent for new leases rose by barely 0.5% in the quarter, Pennsylvania achieved a 1.3% gain. That growth was slightly down from a 1.6% increase in the second quarter but was comfortably above a 0.8% gain from the third quarter of 2023.

The middle two price classes led the way in rent growth. For Class B properties, a 1.4% gain was a marked improvement from the 0.1% increase in the same portion of 2023. For Class C properties, a 1.1% gain topped last year's 0.9% appreciation. For Class A properties, an average effective rent gain of 0.8% was lower than last year's 1.3% jump. Class D average effective rent remained unchanged in the period.

Unsurprisingly, rent growth was strongest in the smaller portions of the state where average occupancy remained high thanks to a lack of new supply pressure. In the Scranton, Altoona, and Meadville metro areas, average effective rent for new leases rose by more than 3.5% in just the third quarter.

Along with above-average rent growth, lease concession availability across the state remained substantially lower than was the case nationally. Only about 9% of conventional properties in Pennsylvania ended September offering a discount for new leases compared to 20% of properties nationally. Nevertheless, availability ended the quarter higher than in any recent year for this time of year after narrowly exceeding the 2020 value.

A major difference on the lease concession front between the state and other parts of the country was the low availability of discounts in the workforce housing segments. In many other areas, concession availability was nearly as high in the Class C and Class D segments as at the top of the market. For Pennsylvania, Class C (7%) and Class D (4%) availability was well below the 19% of Class A properties offering a discount.

Takeaways

The third quarter was not without its challenges but was broadly positive for Pennsylvania multifamily. Net absorption slightly underperformed the same period last year, but not by a wide margin. The quarter also improved on apartment demand from the second quarter.

In addition to a mostly positive picture on the demand front, rent growth maintained its momentum and continued well beyond the national rate. While growth was most robust in the smaller areas, the major markets in the state were well ahead of the national rate as well.

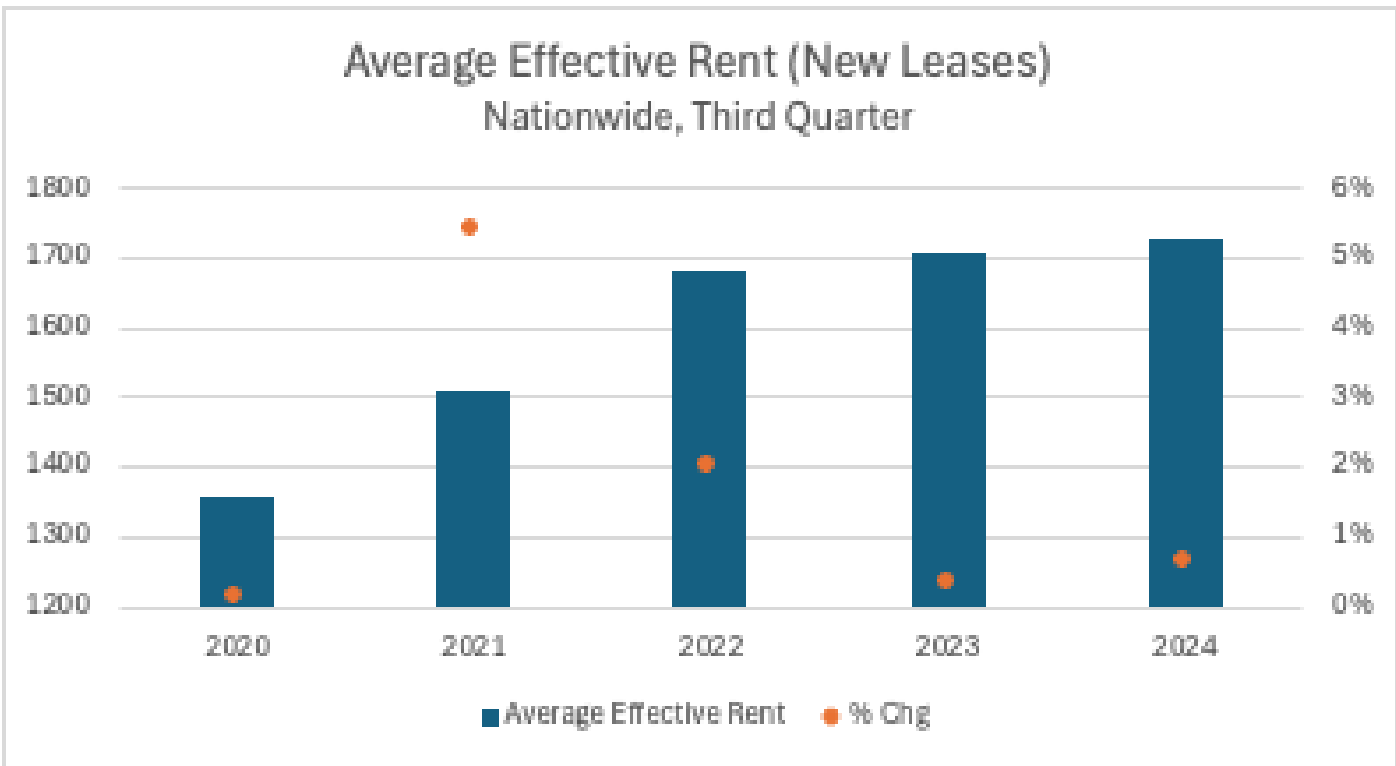
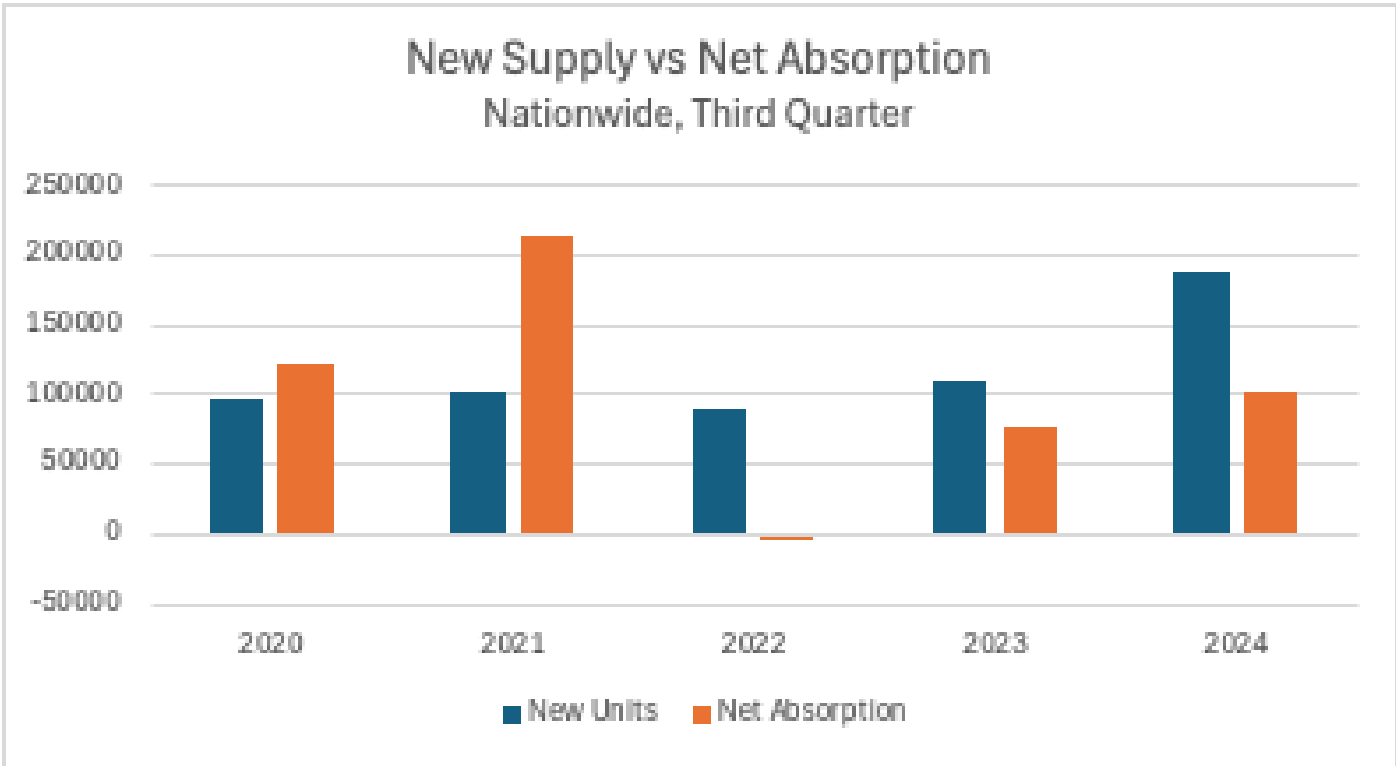
Lastly, average occupancy for stabilized properties continued to hold up well. Net absorption for that subset of properties was positive in the quarter, and average occupancy closed more than 100 basis points above the national average.

The headwind continues to be new supply. A relative deluge of new units has pounded overall average occupancy. Even so, this is almost entirely a dynamic unique to the Philadelphia market. For many states across the Sunbelt and Mountain West, the Philadelphia situation is a reality in markets across those states. With the traditionally softer fourth and first quarters ahead, new supply will likely continue to present a challenge in Philadelphia in the coming months.

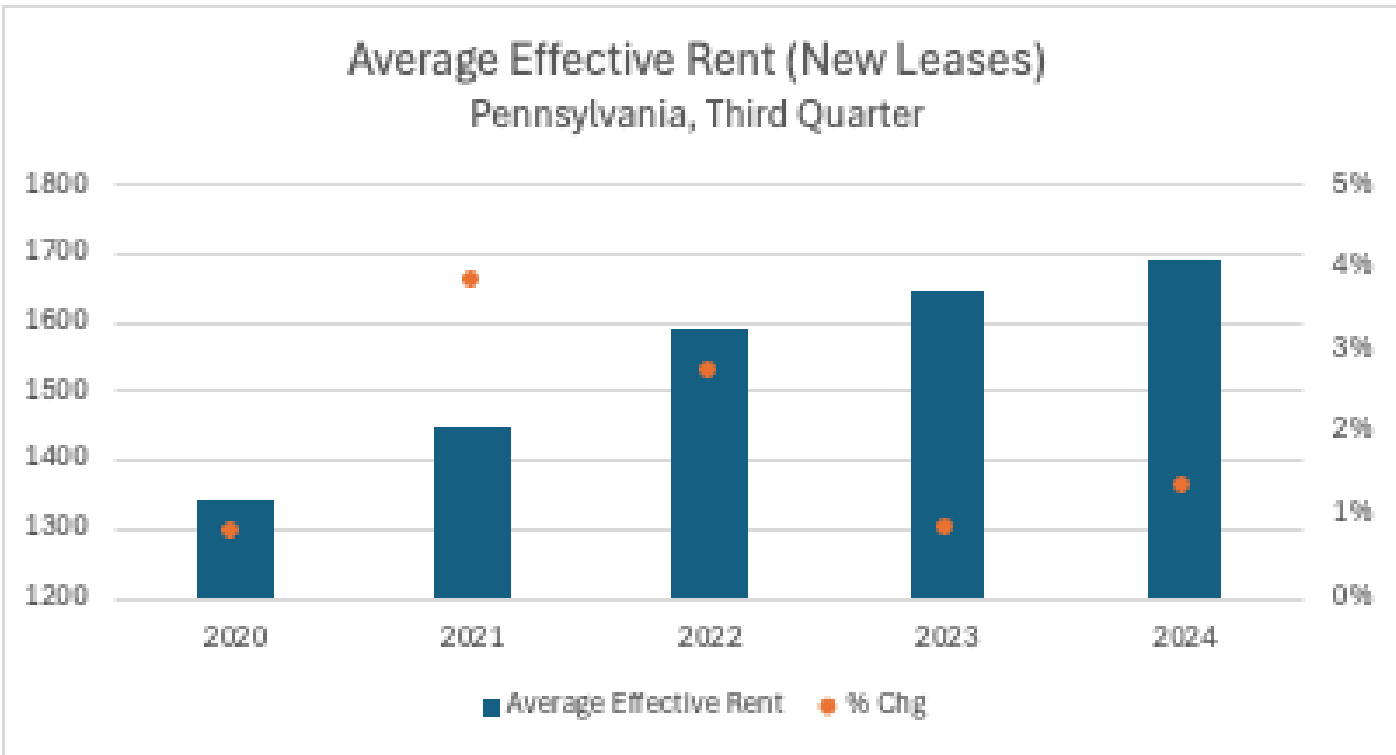
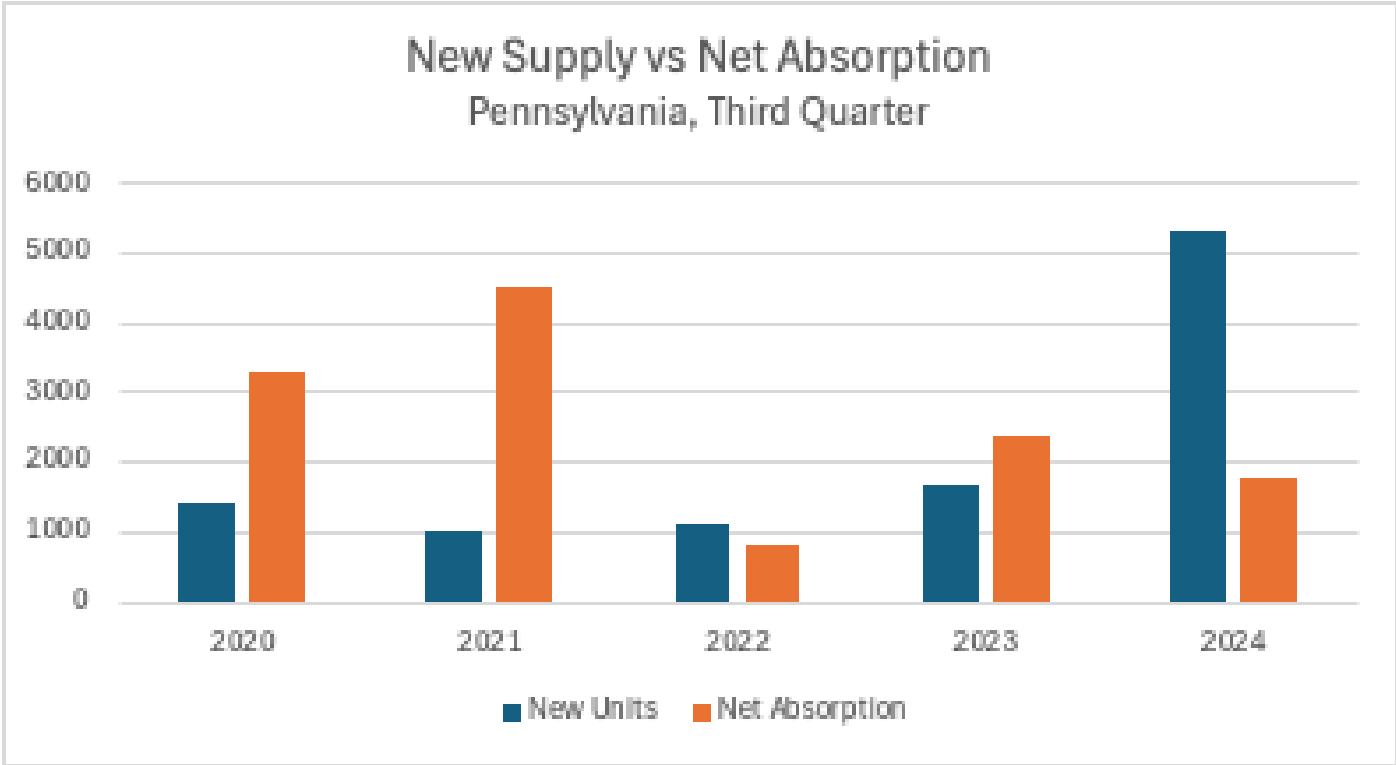
Methodological Notes

- All multifamily data refers to conventional properties of at least 50 units unless otherwise specified.
- For MSAs that cross state lines, only properties physically located in Pennsylvania were included in the statistics.
- All multifamily data sourced from ALN Apartment Data

MASSIVE NEW SUPPLY DROVE THIRD QUARTER RESULTS (CONTINUED)



MASSIVE NEW SUPPLY DROVE THIRD QUARTER RESULTS (CONTINUED)



Thank you to our Partner

About Us

ALN
APARTMENT DATA

www.alndata.com

Established

1991

Headquarters

Carrollton, TX

Industry

Multifamily

Coverage

All 50 US States and DC

1000 Census MSAs (Metropolitan and Micropolitan)

Combined into 185 ALN Markets

179,612 Properties*

23,376,963 Units*

**stats change daily*

Newsletter

my.alndata.com/newslettersignup

Blog

alndata.com/blog

LinkedIn

linkedin.com/company/alnapartmentdata

Facebook

facebook.com/ALNApartmentData

Twitter

twitter.com/ALNAptData

Instagram

instagram.com/alnapartmentdata

Additional Information

With the inception of our Locator Program in 1991 and then ALN OnLine in 1993, our market coverage and platforms have grown to what ALN is known for today – market data with integrity. ALN has also developed two separate platforms specifically for Supplier Partners. Vendor Edge Plus is available in all markets across the country while Compass is a one-of-a-kind nationwide Multifamily database.

All of our information is gathered by researchers, emails, faxes and data feeds from the owner/management companies. Information reflected today is available in our different database platforms.

From ALN's Research Team Call Centers in Dallas/Fort Worth and Mayfield, Kentucky to our sources within our markets that ALN diligently tracks, each completed survey has gone through a number of proprietary data checks that assure the information collected is correct. Information is obtained from sources deemed reliable; however, ALN Apartment Data provides neither warranties nor guarantees.

ALN's product set consists of conventional, affordable, senior (independent and affordable), student and military housing.

Vendor Edge Plus, ALN OnLine and Locator programs reflect 50+ unit properties. Compass reflects 1 unit or greater. ALN's database contains all property age categories.

ALN continues to provide multifamily professionals the tools they need to make data driven decisions and stay competitive in the nation's fastest growing markets. We are consistently updating and redefining our data to ensure our quality holds true for your expectations.

ALN OnLine

Management Companies, Brokers, Lenders, Appraisers, Tax Assessors, Acquisitions, Dispositions, Developers, Government Agencies, and more

Vendor Edge Plus & Compass

Multifamily Suppliers

Locator

Apartment Locators

Affiliate

Apartment Associations