

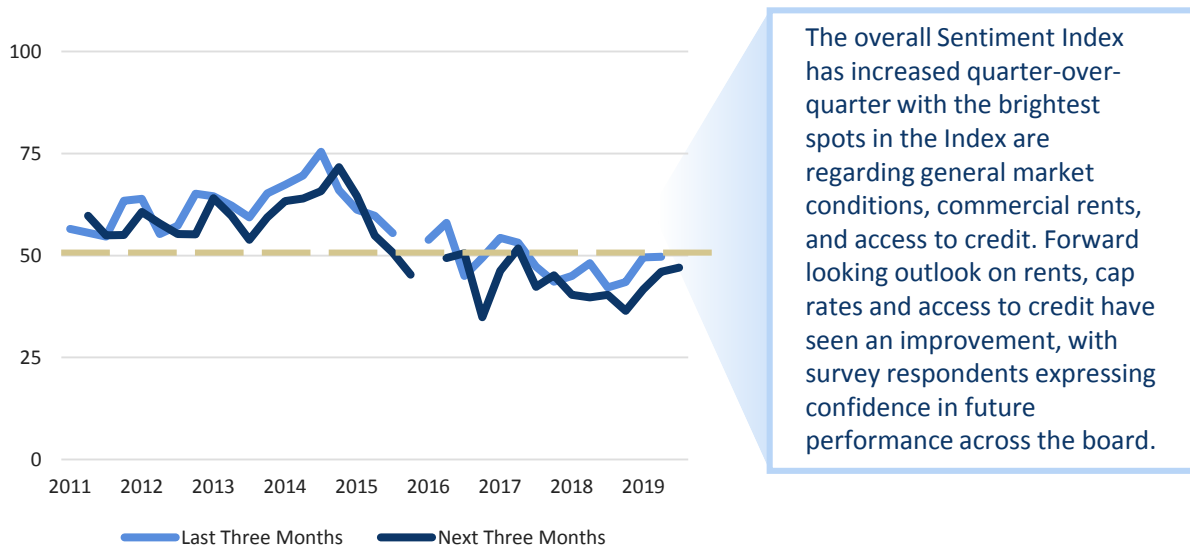


### Explanation of the Mid-Atlantic Real Estate Sentiment Index

For each category and for the survey as a whole, respondents' answers (1, 0, or -1) for each question are summed and indexed as a function of the number of respondents, centered at 50, ranging from 0 to 100.\* Index readings higher than 50 indicate agreement that conditions have improved or will improve. Readings lower than 50 indicate stronger agreement that conditions have worsened or will worsen. Readings closer to 50 suggest agreement that conditions have stayed the same or will stay the same.

### Mid-Atlantic Real Estate Sentiment Index 2011 – 2019

*'Next Three Months' points are aligned to the quarter that they forecast.*



### Forward-Looking Change Since Q2 2019

	Rating	% Change	
	<b>OPERATING EXPENSES</b>	<b>28</b>	<b>-14%</b>
	<b>ACCESS TO CREDIT</b>	<b>53</b>	<b>+10%</b>
	<b>CONSTRUCTION EXPENSES</b>	<b>27</b>	<b>-7%</b>
	<b>CAP RATES</b>	<b>50</b>	<b>+6%</b>
	<b>RENTS</b>	<b>58</b>	<b>+6%</b>
	<b>GENERAL</b>	<b>58</b>	<b>+4%</b>

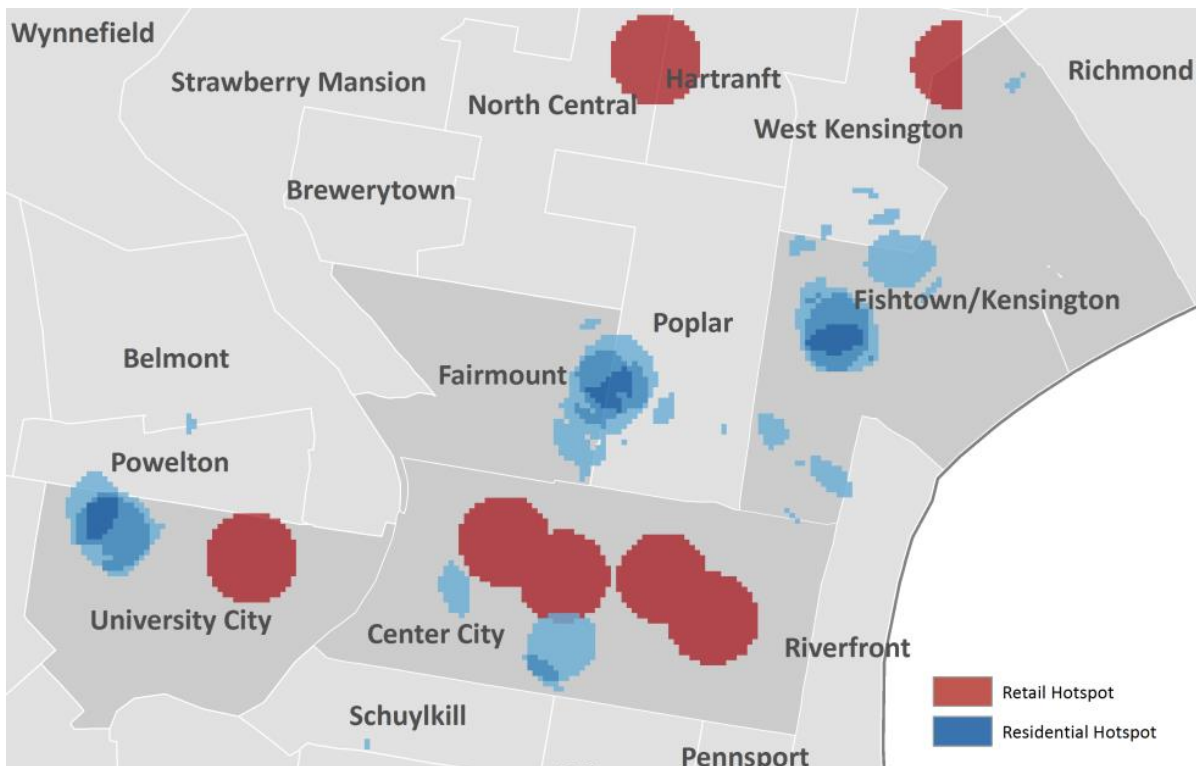
**RENTS**

With moderate construction in the pipeline and low availability rates in Center City, vacancies have gradually dropped. This has resulted in an increase in office rental rates over the year. In particular, driving an optimistic outlook is the region's multifamily market, which has remained stable and strong. Philadelphia's steady job and population growth of the past few years has kept demand on pace with the consistently growing supply of new apartments, leading to investor confidence that new developments will stabilize quickly and returns will be fairly safe.

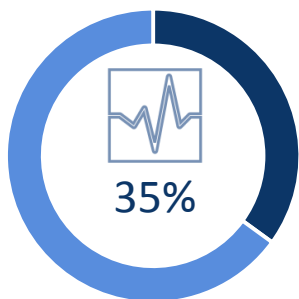
**Survey Response Key:** (a) General Conditions for Real Estate: Better = 1, Same = 0, Worse = -1; (b) Commercial Rents: Higher = 1, Same = 0, Lower = -1; (c) Commercial Operating Expenses: Lower = 1, Same = 0, Higher = -1; (d) Cap Rates: Lower = 1, Same = 0, Higher = -1; (e) Credit Conditions: Better = 1, Same = 0, Worse = -1; (f) Your Gross Assets: Higher = 1, Same = 0, Lower = -1.

**Attractive Neighborhoods for Retailers and Residents**

When we asked respondents about the most attractive neighborhood for retailers, more than 80 percent mentioned Center City and University City. Respondents also said these were attractive neighborhoods for residents, though this share shifted more to neighboring areas like Fishtown and Fairmount. The below map shows where concentrations of new residential and retail development is occurring in the Greater Center City area.



**Life Sciences and Tech Will Be a Major Driver in the Mid-Atlantic Region’s Growth**



One third of respondents noted Life Sciences, Healthcare, or Technology as the key industries that would impact the region’s real estate in the coming years. That’s no surprise with places like U City Square/Schuylkill Yards, the Navy Yard, and the Discovery Labs taking off.

**Questions or comments?**

Please contact Tiffany Ko, PREC’s Associate Director of Research, at 215-621-6925 or [tko@precouncil.org](mailto:tko@precouncil.org); and Gina Lavery, Director, Econsult Solutions, Inc., at 215-717-2777, [lavery@econsultsolutions.com](mailto:lavery@econsultsolutions.com).

© 2019 Philadelphia Real Estate Council, [www.precouncil.org](http://www.precouncil.org). This report is intended for informational purposes only. The Philadelphia Real Estate Council does not guarantee the accuracy or completeness of any information contained herein.