



JUNE 2020

The State of Rental and Owner-Occupied Multifamily Housing in King of Prussia

KING OF PRUSSIA DISTRICT

This report focuses primarily on the 18 multifamily rental and two (2) owner-occupied properties located within King of Prussia District's boundaries, and uses data gathered from property manager interviews, CoStar, Montgomery County Planning Commission, Montgomery County Board of Assessment Appeals and development representatives. This report illustrates a robust multifamily housing market in UMT/KOP through Q1 2020 with strong demand for inventory added in the last five years.

OVERVIEW

More than 3,000 multifamily housing units were built in Upper Merion Township/King of Prussia (UMT/KOP) between 2016 and 2020. This residential expansion comes on the heels of nearly two (2) decades when almost no new multifamily housing units were constructed in UMT/KOP. During that 20-year period, the township's employment population swelled from around 43,000 to more than 60,000 people, with the overwhelming majority of those employees commuting in single-occupancy vehicles from locations outside of the township. The lack of new housing stock in an age of considerable employment growth led to increased traffic and congestion throughout the township.

While new housing has many positive benefits, including the conversion of many former commuters to residents, which helps reduce inbound and outbound commuting traffic, it also comes with some concerns.

These concerns include speculation about the depth of market demand, the impact of school-aged children on the local school district, traffic and congestion and the ability to absorb additional housing developments that are already in the planning or approvals stage. In an effort to gain a comprehensive understanding of these issues,

King of Prussia District identified and surveyed the housing developments located within the boundary of the business improvement district in February and March of 2020 in preparation for this report.

WHAT WE FOUND

1. Demand: Demand for new and existing multifamily housing in King of Prussia is strong. According to CoStar, KOP led the region, including Center City and University City, in lease-up rates through the end of 2019. New housing also had no impact on residential housing developments that existed prior to the 2016-2020 construction prior to the recent residential expansion.

2. Impact on Schools: Our study of 1,811 completed new multifamily units shows that only 27 new school-aged children were generated, a ratio of one (1) school-aged child per 67 new housing units. This results in a very low impact on the local school system relative to the financial benefit for both the school district and the township.

3. Attractiveness: Access to high-quality amenities and walkable, mixed-use neighborhoods are driving demand in the suburbs. The Village at Valley Forge and the new Moore Park KOP Mixed-Use District account for nearly all of the new housing development in the township and all show extremely strong lease-up rates.

HOUSING IN UPPER MERION/ KING OF PRUSSIA

On average, less than 100 multifamily housing units were built each year between 1958 and 2015, with a few long stretches when no additional units were built at all. Most notably, between 1999 and 2015, no new multifamily units were constructed during a time when the employment population surged from about 43,000 to more than 60,000 people. In 2015, that all changed when King of Prussia led Montgomery County, PA in proposed residential units submitted for review. Twelve projects continued through design and into construction during the next four years, increasing the total inventory of multifamily units in Upper Merion Township by 35%, and expanding the total housing stock by 20%. The township now has 8,643 multifamily units on 461 acres, or an average of 18.8 units/acre.¹

The addition of 3,011 units between 2016 and 2020 came with strong demand as KOP led the region in lease-up rates and housing developments quickly reached stabilized occupancy targets. The strong lease-up continued, even for developments that received certificates of occupancy in late 2019 and early 2020, prior to the COVID-19 pandemic.²

HOUSING UNITS

The total number of housing units in UMT/KOP is 15,137. Of those, 6,454 are single-family detached homes and 8,683 are multifamily/single-family attached housing units.

HOUSING PERFORMANCE BY TYPE

Rental Units

The new crop of multifamily housing comes with a rich amenity package typically offering residents access to pools and fitness centers, large gathering spaces, pet services, 24/7 concierge services and more. Today's multifamily residents are willing to pay higher rents in return for these services and higher-end finishes within their units. An additional performance driver is the location of developments in or near mixed-use neighborhoods that provide dense, walkable opportunities for shopping, dining and recreation. Since 2012, KOP took a dramatic step forward with the completion of The Village at Valley Forge mixed-use development and the rezoning of the King of Prussia business park, now known as Moore Park KOP, into a mixed-use district. Residents of these neighborhoods can walk, bike or take much shorter car rides to their favorite restaurants, grocery stores, coffee shops, salons, and other retailers.

FIGURE 2: MULTIFAMILY PROPERTIES IN KING OF PRUSSIA DISTRICT

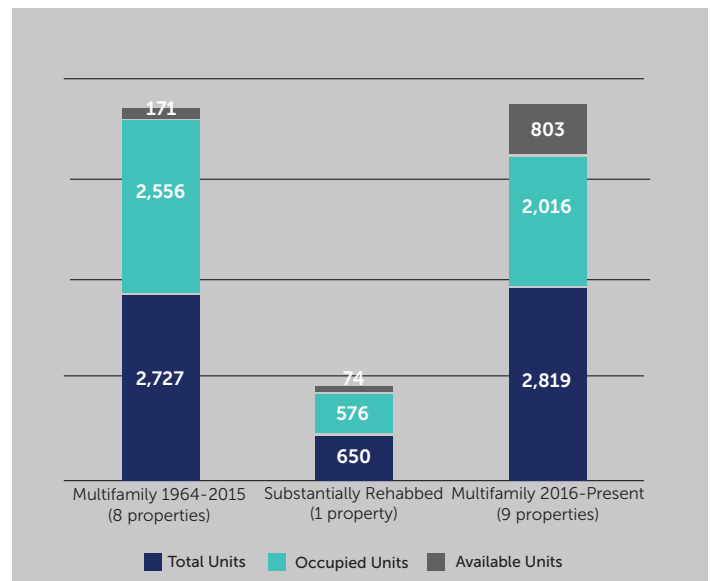


FIGURE 1: MULTIFAMILY INVENTORY IN UPPER MERION TOWNSHIP

TYPE	PROPERTIES	UNITS	ACRES	UNITS/ACRE
Attached Single-Family Owner Occupied	22	1,636	201	8
Multifamily Condominium	2	819	13	63
Multifamily Rental	19	6,228	246	25
TOTALS	43	8,683	460	18

31.3%
RENTER OCCUPIED

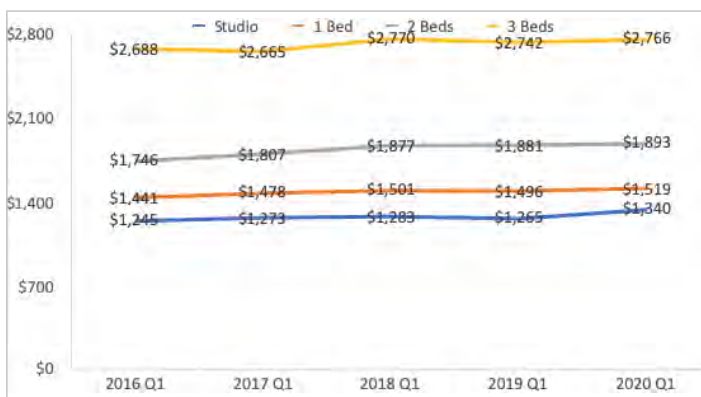
68.7%
OWNER OCCUPIED

FIGURE 3: RENTAL OCCUPANCY RATES

TYPE	# OF UNITS	OCCUPANCY (%)
Existing (Pre-2016)	2,727	93.73
Substantially Rehabbed	650	88.62
New	2,819	72*
TOTALS	6,196	83.09%

The Rental Occupancy Rate chart (Fig. 3) illustrates that newly constructed rental units have not had an impact on occupancy of older multifamily residential developments in the township as their occupancy remains at a very high 94%.

It is important to note that the lower occupancy rate of new units includes Hanover Town Center and SKYE 750, two developments representing 640 units that opened in February 2020.

FIGURE 4: AVERAGE RENT BY BEDROOM³

Even with the addition of more than 3,000 units since 2016, a 45% increase in KOP's total rental inventory, the influx hasn't dampened the market. In fact, it has seen a slight increase in average rent by bedroom.

The median monthly rent price in King of Prussia is \$2,100, which is 35% greater than the Philly-Camden-Wilmington Metro median rent price of \$1,550/month.

FIGURE 5: RENT PSF BY BEDROOM⁴

Asking rent per square feet by bedroom has also increased since the beginning of the multifamily housing boom in King of Prussia.

SUBSTANTIALLY REHABILITATED UNITS

251 Dekalb is a prime example of how an extensive rehab of existing multifamily can add value while improving the economics in the community. The \$65M acquisition and subsequent \$50M renovation of the former Marquis Apartments was completed in 2017 by owner Candlebrook Properties. Based on the latest national estimates by the National Association of Home Builders, this extensive remodeling of dated apartment buildings constructed in 1960 yielded direct and indirect impacts, including:

- 375 jobs across building-related industries
- \$24.0M in wages and salaries
- \$8.6M in corporate profits before taxes
- \$14.9M in local, state and federal tax revenue from building-related industries⁵

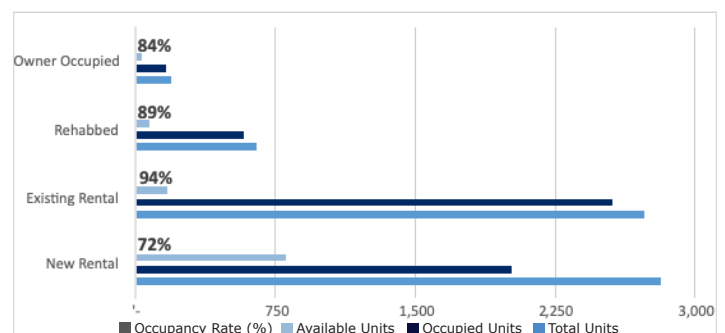
FOR-SALE UNITS

Owner-occupied units are an important but smaller segment of the new multifamily market in King of Prussia.

FIGURE 6: OCCUPANCY RATE OF NEW FOR-SALE HOUSING UNITS

TYPE	# OF UNITS	OCCUPANCY (%)
New Condominium	60	50
New Townhome	132	100
TOTALS	192	84.38%*

* Includes 575 South which opened April 2020

FIGURE 7: MULTIFAMILY PROPERTIES BY CATEGORY

PERFORMANCE OF THE TOWNSHIP'S TOTAL HOUSING STOCK

Upper Merion Township's total multifamily inventory includes 22 properties consisting of 1,636 duplexes or townhouses and two (2) multifamily condominium properties consisting of 819 units.

FIGURE 10: LIST AND SALE PRICES FOR SINGLE FAMILY AND CONDOS

MEDIAN LIST PRICE ⁶

TYPE	4/24/2020	11/1/2019	% CHANGE
Single family	\$483,000	\$385,000	+25%
Condo	\$385,000	\$354,000	+9%

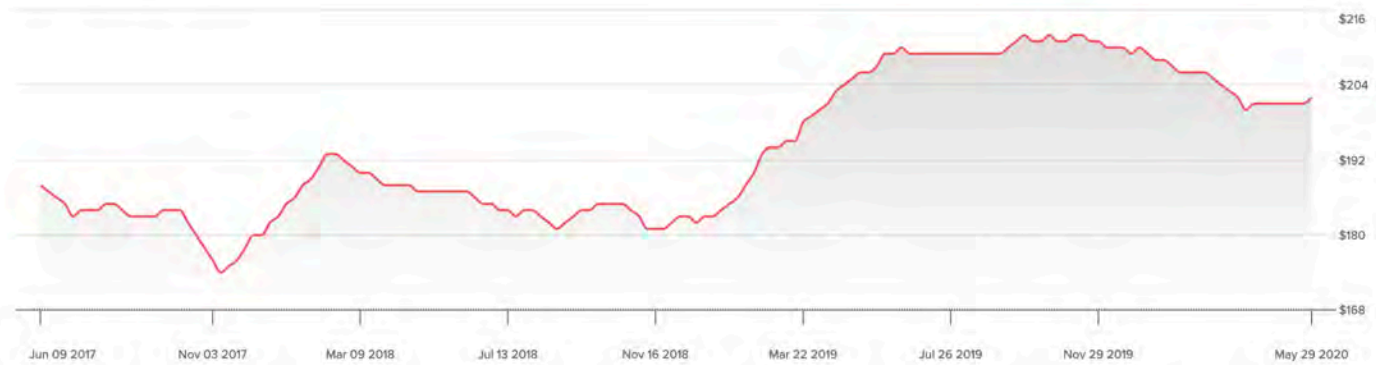
AVERAGE SALE PRICE PER SQUARE FEET ⁷

Owner occupied - 6 month span

TYPE	4/24/2020	11/1/2019	% CHANGE
Single family	\$201	\$211	-5%
Condo	\$248	\$203	+22%

FIGURE 8: SINGLE FAMILY PRICE PER SQUARE FOOT OVER 3 YEARS⁸

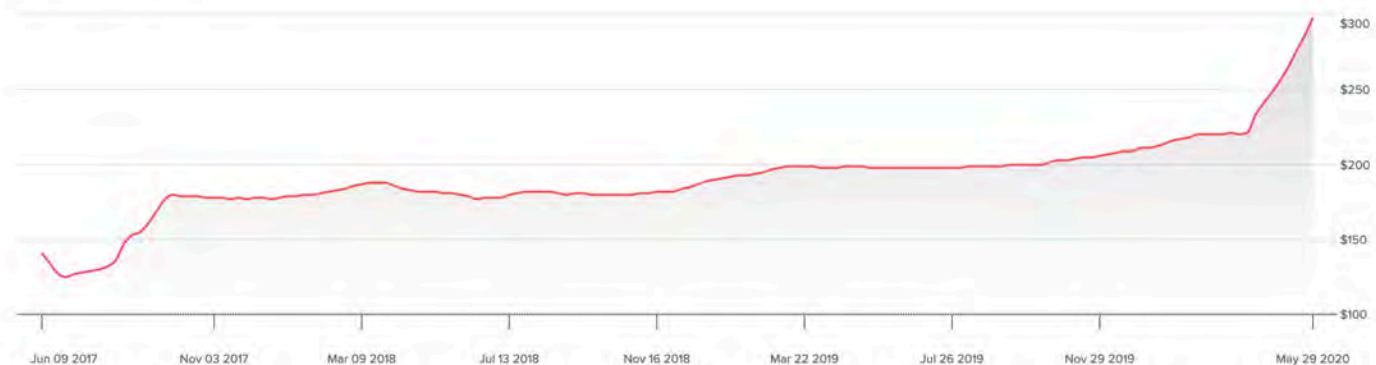
PRICE PER SQUARE FOOT
\$202 — MAY 29, 2020



Single family detached house sale prices per square foot in King of Prussia have increased over a 3-year period from June 2017 at \$188 PSF to \$202 PSF in May 2020.

FIGURE 9: CONDOMINIUM PRICE PER SQUARE FOOT OVER 3 YEARS⁹

PRICE PER SQUARE FOOT
\$298 — MAY 29, 2020



Condominium sale prices have increased over the same period, with a steady rise from a low of \$141 PSF over the summer of 2017, to a high of \$298 PSF in May 2020.

COMMENTARY

Although Upper Merion Township added over 3,000 new housing units to the mix in the past five (5) years, there appears no shortage of demand. This is likely due to two (2) primary factors:

DEMAND

1. Between 1999 and 2015, no new multifamily housing was added to the township in a time when the employment population swelled from 43,000 to over 60,000 employees.
2. People are attracted to the amenity-rich offerings of new multifamily developments and their locations within more dense, walkable mixed-use neighborhoods like The Village at Valley Forge and Moore Park KOP. CoStar confirmed the demand for King of Prussia housing when it named KOP the top lease-up location in the Philadelphia region in 2019. With a lease-up rate of more than 18 units per month, King of Prussia outperformed residential hotspots in Center City and University City, Philadelphia.

IMPACTS ON UPPER MERION SCHOOLS

Contrary to popular belief, new housing does not always generate tenants with school-aged children. The type of housing units and the location of the housing units play a considerable part in the impact new housing has on the local school system.

While large single-family homes may generate more school-aged children per new housing unit, smaller one and two-bedroom rentals and condominiums rarely contribute to large increases in the population of school-aged children. Luxury rentals with higher monthly rents produce even fewer children per unit, on average. Our study of the actual number of school-aged children in the new multifamily units in Upper Merion Township, found that only 27 new students were added to the Upper Merion enrollment roster out of 1,811 newly-completed housing units. This translates to .01 school-aged child per unit, or one new school-aged child per 67 housing units. In fact, the development with the highest number of students generated per unit in Upper Merion only generated .08 school-aged child per unit or one school-aged child for every 13 units.

Townships can further control impacts to the school system by blending active adult communities and corporate short-term rental units into the mix, as King of Prussia has done in the past five (5) years.

TRAFFIC/CONGESTION

King of Prussia District believes that there are only two ways to reduce traffic and congestion:

1. Move people from single-occupancy vehicles to alternate modes of transportation such as rail, bus, van pool, etc.
2. Convert existing commuters into residents by offering them high-quality housing product close to their jobs.

While progress still needs to be made with regards to transportation, King of Prussia seems to be making significant progress converting commuters into residents. Following a very long drought of new housing for a growing employment base, King of Prussia is now beginning to address that issue with the addition of more than 3,000 units in the past five (5) years. Numerous general managers and property managers report to King of Prussia District that they are seeing a large number of leases signed by people seeking to reduce or eliminate their long commutes.

THE ECONOMIC BENEFITS OF MULTIFAMILY HOUSING

Multifamily construction in King of Prussia creates an incredible economic boost. An economic impact study in 2015 by the National Association of Home Builders (NAHB) that analyzed national averages for multifamily development construction, found that each unit provides \$37,000 in state and local taxes, fees and indirect revenue in the first year of construction while costing the community only \$4,270 in public services and \$13,000 in infrastructure investment per unit. The net economic benefit over the first is \$19,730 per unit. Based on the 3,011 new units constructed in the township since 2016, the economic benefit to the community is over \$59.4M.

LOOKING TO THE FUTURE

It's unknown how the COVID-19 shutdown will impact the housing market in UMT/KOP. Will depleted savings drive future home buyers to the rental market? Will empty-nesters continue to downsize? Will lower interest rates and federally insured lending products continue to spur investors to build and buyers to buy? Will the shared lifestyle amenities that have drawn residents to recently built apartment complexes continue to be attractive in the age of social distancing? Will homeownership bounce back with people opting to avoid high density living situations?

There are too many variables to calculate the effect of the pandemic with any certainty, but there will certainly be some kind of impact.

Most analysts believe that the multifamily market should fare better than most. Unit supply will remain strong in 2020, although delayed by pandemic shutdowns throughout US markets and construction material supply challenges. CBRE Research projects deliveries nationwide to be approximately 280,000 units in 2020, close to the 281,000 units delivered in 2019. How many of these will be delayed until 2021 is unknown. However, robust rent payments nationwide at the beginning of May is a strong indicator as states push forward to reopen. The National Multifamily Housing Council's (NMHC)'s Rent Payment Tracker reports, from its survey of 11.4 million units, that 80.2% have made full or partial payments through May 6th. This is only a 1.5% decrease from the same time in 2019.¹⁰

DEVELOPMENTS IN THE FINAL PLANNING STAGES OR BEING CONSIDERED

There are a number of new housing developments in the planning stages in Upper Merion Township. Two more in The Village at Valley Forge could produce an additional 342 units. One large development of 208 single-family attached townhomes and 65 single-family homes is likely to get approvals on a site off Dekalb Pike near Saulin Boulevard. Simon Property Group has its sights set on building multifamily rentals on the mall property sometime in the near future.

Our report shows that King of Prussia offers an environment that is attractive to residents, existing and new. King of Prussia offers a high concentration of both skilled and unskilled jobs, access to retail, dining, entertainment and recreation and superb geographic access to Philadelphia and other points along the northeast corridor. We believe that there is little downside to continuing to add new housing in King of Prussia. As this report indicates, additional housing contributes to the reduction of traffic and congestion by converting commuters to residents; increases the amount of disposable income in the township to support retailers and restaurateurs; provides a minimal impact on the local school system; and helps energize the community with residents out taking advantage of the tremendous recreational resources the township provides.



FIGURE 11: MULTIFAMILY PROPERTIES IN KING OF PRUSSIA

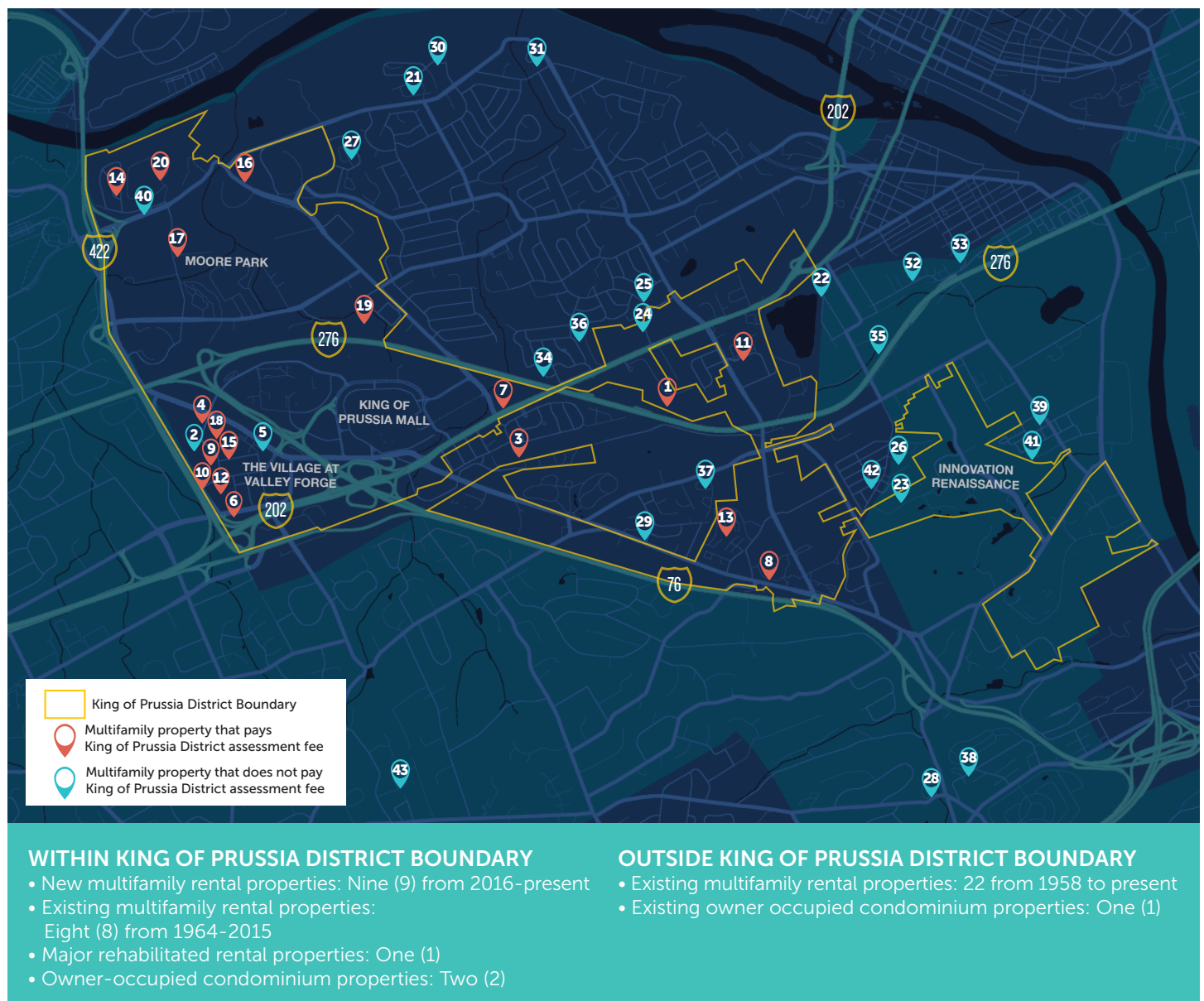
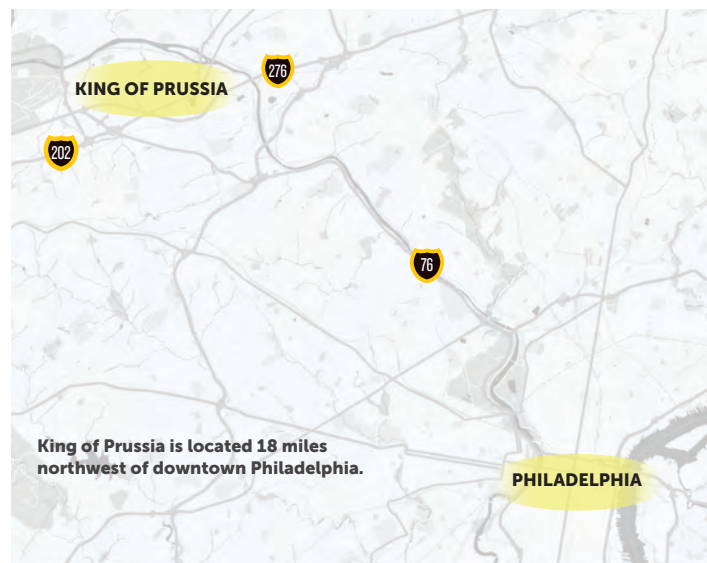


FIGURE 12: KING OF PRUSSIA PROXIMITY TO PHILADELPHIA



AERIAL VIEW OF KING OF PRUSSIA



PROPERTIES WITHIN KING OF PRUSSIA DISTRICT BOUNDARY



251 W. Dekalb Pk.

1. 251 Dekalb

In 2016, Candlebrook Properties transformed the Marquis Apartments into 650 studio, one, two and three-bedroom units ranging from 250 to 2,350 SF situated in a 26-acre gated community. The \$50M renovation project includes amenities like an outdoor pool, fitness center and rotating art exhibit.

251dekalb.com



111 Bill Smith Blvd.

3. Abrams Run Apartments

Morgan Properties' Abrams Run features 192 one and two-bedroom units with private entrances ranging from 815 to 1,140 SF. Amenities include an outdoor media lounge and table games, a fireside lounge with fire pit, tennis and basketball courts and access to a community swim club at sister property, Kingswood Apartments & Townhomes.

morgan-properties.com



The Village at Valley Forge | 575 S. Goddard Blvd.

2. 575 South

Not far from its townhome project, The Brownstones, Toll Brothers offers the only for-sale condominiums in The Village at Valley Forge. The building includes 60 one, two and three-bedroom condos, ranging from 884 to 1,751 SF, and priced from the mid-\$300,000s. Amenities include a rooftop lounge, fitness center, theatre room and a golf simulator.

tollbrothers.com



The Village at Valley Forge | 555 S. Goddard Blvd.

4. AVE King of Prussia

This 274-unit flexible stay rental property by Korman Communities features studio, one, two and three-bedroom fully-furnished and unfurnished and a two-level parking garage. The property includes fitness facilities, an outdoor pool with TVs, a media theater, a business center and multiple meeting spaces.

aveliving.com



The Village at Valley Forge | 100 Lakeview Ct.

5. The Brownstones

Now entirely sold out, the Toll Brothers community features 132 three-bedroom stacked townhomes, ranging in size from 1,561 to 2,401 SF in 11 buildings.

tollbrothers.com



750 W. Dekalb Pk.

7. Courtside Square Apartments & Suites

Situated in a mid-rise, 5-story building, Willner Property's Courtside Square features 74 recently renovated studio's and two-bedroom units ranging from 470 to 895 SF, each with a private balcony.

willnerproperties.com



The Village at Valley Forge | 101 Bryce Ln.

6. Canvas Valley Forge

Canvas is the first active adult (55+) apartment complex in KOP. The 5-story property built by The Bozzuto Group features 231 one and two-bedroom units with enclosed first floor parking, an infinity pool and outdoor dining areas, a spa, a dog park, workshop space and a community garden.

canvasvalleyforge.com



Moore Park | 550 American Ave.

8. Gulph Mills Village

Westover's Gulph Mills Village offers 328 one and two-bedroom units with private balconies and patios. The property also includes access to a pool and fitness center, among other amenities.

rentgulphmillsvillage.com



The Village at Valley Forge | 625 S. Goddard Blvd.

9. Hanover King of Prussia

Located across the street from sister property Hanover Valley Forge, this 339-unit apartment complex from Hanover Company features studio, one, two and three-bedroom layouts from 458 to 1,538+ SF. Amenities include a clubhouse, an outdoor pool and courtyard with a firepit, a private screening room with surround sound and a pet spa.

hanoverkingofprussia.com



90 Monroe Blvd.

11. Henderson Square Apartments

In total, Henderson Square I and II offer 160 one and two-bedroom fully furnished or unfurnished units. The property also includes a 24-hour fitness center, covered carport and a tennis court.

gambone.com



The Village at Valley Forge | 350 Village Dr.

10. Hanover Town Center

The third property from Hanover Company in KOP, the 392-unit complex features floorplans for studio, one, two and three-bedroom units ranging from 540 to 1,653 SF. The property also offers a resort-style pool, an outdoor resident lounge with TVs, a 24-hour fitness center and a catering kitchen, among other amenities.

livehanovertowncenter.com



The Village at Valley Forge | 301 Village Dr.

12. Indigo 301

The first multifamily residential development to open in The Village at Valley Forge in 2016, Indigo 301 features 363 one, two and three-bedroom apartments ranging from 687 to 1,391 SF. Amenities include a fitness center, bocce court, a sports simulator and an outdoor pool and kitchen with grilling stations.

indigo301.com



580 Lewis Rd.

13. Kingswood Apartments & Townhomes

Morgan Properties' Kingswood features 771 units, ranging from studio, one and two-bedroom apartments with private patios or balconies, to three-bedroom townhomes. Units range from 190 to 1,675 SF. The property features various sport courts, a fitness center, two dog parks and an outdoor pool.

morgan-properties.com



The Village at Valley Forge | 300 Village Dr.

15. Omnia at Town Center

Developed by Realen Properties, the Omnia was called Hanover Valley Forge before it was sold in 2018 to MetLife Real Estate Investors for \$75.33M, or \$221,238 a unit. Omnia features 339 studio, one and two-bedroom apartments ranging from 552 to 1,390 SF, in addition to an outdoor courtyard with pool and fire pit, a fitness center, a cinema, a demonstration kitchen and a gaming area.

omniakop.com



1101 Penn Cir.

14. The Lafayette at Valley Forge

The Lafayette offers 604 studio, one, two and three-bedroom units, ranging from 447 to 1,256 SF, featuring individual balconies. A property from the Westover Company, the complex features an outdoor pool, fitness center and on-site laundry facility.

rentlafayetteatvalleyforge.com



Moore Park | 751 Vanderburg Rd.

16. Park Square

Built by Bentley Homes and CornerstoneTracy Development and later acquired by UDR, Park Square features 313 one to three-bedroom apartments in four buildings surrounding a central park featuring a pool, grilling and dining stations and fire pits. The property also includes a mile of paved trails and a dog park.

liveparksquare.com



Moore Park | 750 Moore Rd.

17. SKYE 750

SKYE 750 is a five-story apartment complex featuring 248 one and two-bedroom units, ranging from 681 to 1,246 SF. The complex boasts an elevated interior courtyard with a pool, fitness center, private movie theater and a resident lounge.

skye750apartments.com



Moore Park | 500 American Ave.

19. Valley Forge Suites

A Westover property, Valley Forge Suites offers 356 one and two-bedroom units, ranging from 705 to 1,075 SF, each with a balcony or patio. Amenities include a swimming pool and a fitness center

rentvalleyforgesuites.com



The Village at Valley Forge | 580 S. Goddard Blvd.

18. The Smith Valley Forge

Featuring 320 one to three-bedroom apartments ranging from 601 to 1,399 SF, The Smith's amenities include a rooftop sky lounge and dining area, an outdoor pool, fitness center with yoga and spin studios and a club room with games.

thesmithvalleyforge.com



3000 Valley Forge Cir.

20. Valley Forge Towers North

Valley Forge Towers North features 242 units one, two and three-bedroom units, ranging from 1,079 to 1,608 SF, each with a private balcony. Amenities include indoor and outdoor pools, a private movie theatre and a concierge service.

galmangroup.com

Properties outside of King of Prussia District boundary:

21. Beidler Knoll 22. Carmella Court 23. Cooper Mills Station 24. The Court at Henderson I 25. The Court at Henderson II 26. Crooked Lane Crossing 27. Deer Creek 28. Enclave 29. Glen Arbor 30. Glenn Rose 31. Hamlet Drive 32. Heather Hill 33. Heritage Manor 34. King of Prussia Arms 35. King Manor 36. Pinecrest 37. Prussian Woods 38. Rebel Hill 39. Schoolhouse Commons 40. Valley Forge Towers (South and West) 41. Williamsburg Commons 42. Willow Manor 43. The Woods at Wayne

SOURCES

- 1:** Montgomery County Planning Commission, Montgomery County Board of Assessment Appeals, Montco Planning Data Portal and King of Prussia District
- 2:** Ponsen, A. (2019). King of Prussia apartment projects are leading the Philadelphia metro area in lease-up pace. CoStar Market Analytics.
- 3:** CoStar Group, www.costar.com
- 4:** CoStar Group, www.costar.com
- 5:** Emrath, Paul, Ph.D., Special Study for HousingEconomics.com, National Impact of Home Building and Remodeling: Updated Estimates, April 1, 2020
- 6:** Guaranteed Rate, Inc., www.rate.com
- 7:** Guaranteed Rate, Inc., www.rate.com
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- 9:** Guaranteed Rate, Inc., www.rate.com
- 10:** "NMHC Rent Payment Tracker." NMHC, www.nmhc.org/research-insight/nmhc-rent-payment-tracker/

FOR MORE INFORMATION PLEASE CONTACT

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