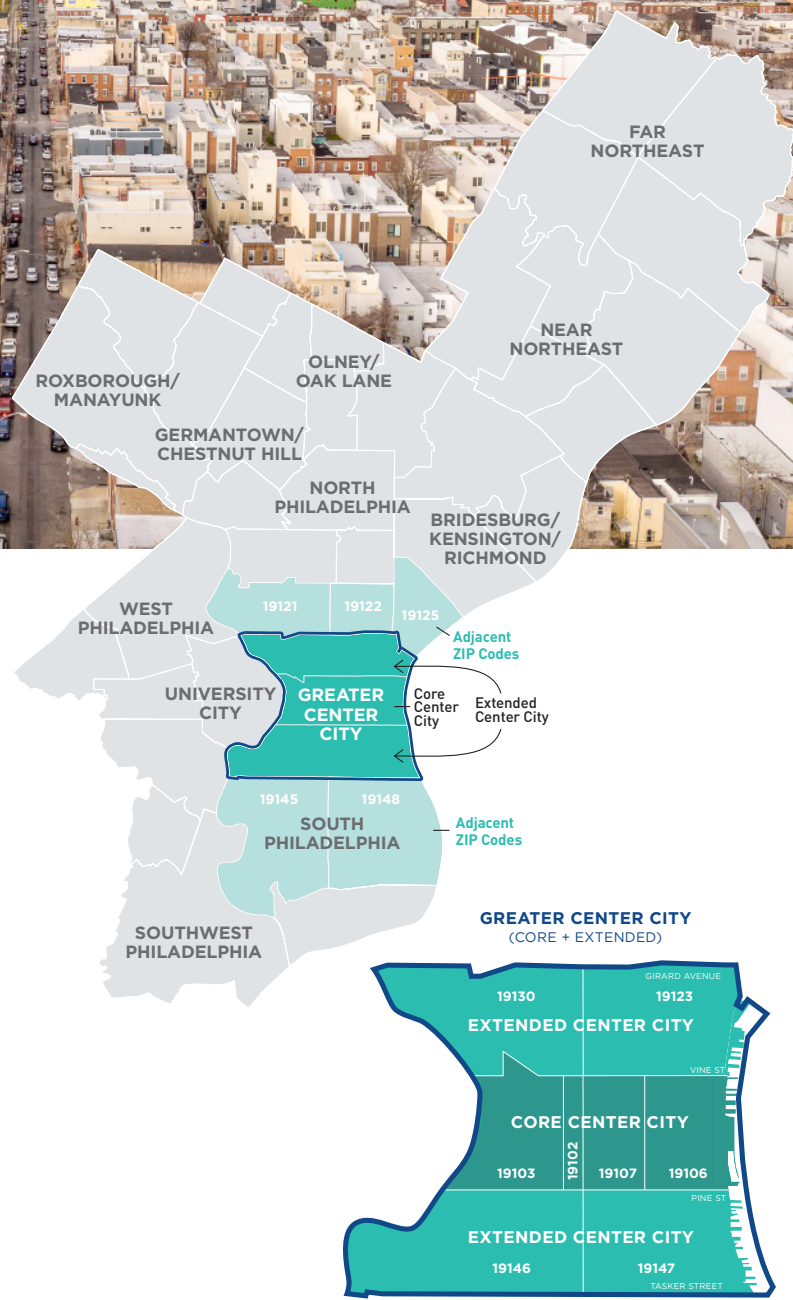




Downtown Rebounds

Greater Center City Housing Trends 2023

Greater Center City (Girard Avenue to Tasker Street, river to river) has been the fastest growing residential area in Philadelphia for the last two decades. The sustained increase in population has supported demand for a continuous supply of renovated and new housing. Simultaneously, the great variety of new, high-quality options for urban living has attracted households of all types to a widening ring of diverse neighborhoods. As housing and population growth have reinforced each other, this has generated demand for new retail and restaurants, driven the restoration of an increasing number of commercial corridors and fueled the expansion of jobs.



In 2022, Greater Center City, just 5.8% of the city's land area, accounted for 48% of the city's total supply of new housing units. The four ZIP codes immediately adjacent to Greater Center City, accounted for another 27% of new units delivered. Combined, Greater Center City and the adjacent ZIP codes, represent 16.2% of the city's geography, but were the locale for 75% of the 5,853 new units completed in Philadelphia last year.

The pandemic, stay-at-home directives and civil unrest in 2020 were hugely disruptive to both the economy and public perceptions of the core of downtown. But the market quickly

rebounded in 2021 and gained momentum in 2022. At the start of 2023, many traditional work patterns are re-emerging and new ones are evolving, as Center City continues to adapt as a thriving, live-work, mixed-use downtown. With well-designed public incentives, Philadelphia can also add more affordable opportunities within mixed income developments in Greater Center City, so residents and workers at all education levels can enjoy the amenities and ease of access to the largest concentration of jobs in the region (see appendix on affordability).

Greater Center City and the adjacent ZIP codes, represent 16.2% of the city's geography, but were the locale for 75% of the 5,853 new units completed in Philadelphia last year.

Report Highlights

- Greater Center City has emerged in the last two decades as a thriving, live-work setting with more than 300,000 jobs, 200,000 residents, a broad array of cultural institutions, visitor attractions, retail opportunities and as the fastest growing residential area of the city.
- Half of the city's housing construction in 2022 occurred between Girard Avenue and Tasker Street, river to river. Another 27% occurred in immediately adjacent ZIP codes; 16.2% of the city's geography, located at the center of the region's transit system, thus accounted for 75% of all new units completed in Philadelphia last year. A variety of housing types – high-rise, mid-rise and row house, rental and ownership – and a diverse mix of neighborhoods, provides a broad range of choice for households at different stages of their lives.
- An enhanced focus on clean and safe has been critical to the recovery of Center City from the disruptive events of the last three years. Fifteen other neighborhood-based business improvement districts have played a significant role in the recovery of commercial corridors across the city. Improving cleanliness and safety citywide is job #1 for the next mayor.
- Dense, diverse and walkable defines Center City, where residents benefit from the most energy-efficient, sustainable densities in the region: 37 persons per acre in Greater Center City, 49 persons per acre in the core, 2.6 times the citywide average and more than 17 times the density of nearby Montgomery County. The presence of high-skill jobs, visitor destinations and well-educated residents at the center of the region's transit system contrasts with the challenges that confront many other Philadelphia neighborhoods, but it also contributes a disproportionate share of municipal tax revenues and creates the greatest demand for moderate-skilled and entry-level jobs.
- For 25 years, Philadelphia has been a national leader in converting vacant office and industrial buildings to residential use. In Center City there will be a need to convert more. But if Philadelphia can build momentum around more competitive tax policies, the city can also continue to attract and grow businesses of all sizes to provide more opportunity for all residents. More people working and more incomes rising is essential to making housing more affordable.
- Philadelphia's next mayor can break down silos between public and private sectors, pursuing far more collaborative approaches to co-producing clean and safe neighborhoods and commercial corridors and increasing the supply of affordable housing. At a time when national politics are deeply polarized, successful cities will be those that dial down ideological rhetoric and forge new partnerships dedicated to inclusive growth and simply getting things done.

Three Decades of Growth

In 1991, the Center City District began working in partnership with City government steadily to improve the safety and cleanliness of downtown. Public investments in arts, entertainment, hospitality and in the Pennsylvania Convention Center dramatically diversified downtown land-use, spurring a significant increase in hotels, restaurants and retail amenities. The passage in 1997 of the 10-year tax abatement for the preservation and conversion of vacant office and industrial buildings to residential use, accelerated the trajectory of residential reinvestment that started in the 1960s in Center City. From 1998 to 2022, more than 40 major office buildings (8.2 million square feet) were converted to residential or hotel use. The abatement for new construction, approved in 2000, spurred the transformation of parking lots and underperforming sites with new apartment and condominium towers. As the downtown grew denser, people attracted more people.

Within core Center City, the population rose by 54% from 45,000 in 2000 to 69,100 in 2020, achieving a residential density 2.6 times the citywide average and more than 17 times the density of nearby Montgomery County. Within extended Center City, the population grew by 32%, from 101,400 in 2000 to 134,400 in 2020, with the fastest growth occurring north of the core (**FIGURE 1**).

Within core Center City, the population rose by 54% from 45,000 in 2000 to 69,100 in 2020, achieving a residential density 2.6 times the citywide average and more than 17 times the density of nearby Montgomery County.

FIGURE 1 Center City and City of Philadelphia Population Trends

	1990	2000	2010	2020
Core Center City				
Population	39,789	44,955	53,228	69,088
Growth Rate	-	13.0%	18.4%	29.8%
Extended Center City				
Population	107,059	101,443	109,627	134,396
Growth Rate	-	-5.2%	8.1%	22.6%
Greater Center City				
Population	146,848	146,398	162,855	203,484
Growth Rate	-	-0.3%	11.2%	24.9%
Neighborhoods Outside Greater Center City				
Amount Change	-	(67,577)	(8,000)	37,153
Percentage Change	-	-4.7%	-0.6%	2.7%
Philadelphia				
Amount Change	-	(68,027)	8,457	77,782
Percentage Change	-	-4.3%	0.6%	5.1%

Note: Estimates are based on 2010 definitions of the Census Bureau's ZIP Code tabulation areas. Source: Decennial Census population estimates, IPUMS National Historical Geographic Information System

While natural population growth (births exceeding deaths) and international in-migration citywide reversed decades of decline in many neighborhoods, Center City also played a significant role. Philadelphia's population increased by 8,500 (0.6%) between 2000 and 2010 and by 77,800 (5.1%) from 2010 to 2020. Yet, the total number of residents living in areas outside Greater Center City declined by 8,000 (-0.6%) from 2000 to 2010 and rose by a modest 37,200 (2.7%) from 2010 to 2020. Greater Center City, just 5.6% of citywide land area, thus accounted for 66% of citywide population growth from 2000 to 2020.

As of the Census Bureau's most recent American Community Survey (ACS) from 2021, there were 110,500 housing units in Greater Center City. Forty-one percent were owner-occupied with more renters in the core and a higher proportion of owners in extended Center City. Average household size among owner-occupied units in these ring neighborhoods was 2.3; among renter-occupied units it was 1.9. Households were generally larger in extended Center City with a greater presence of school age children with more singles and empty nesters in the core (**FIGURE 2**).



FIGURE 2 Population and Housing Characteristics of Center City and Philadelphia

	CORE CENTER CITY	EXTENDED CENTER CITY	GREATER CENTER CITY	ADJACENT ZIP CODES	CITY OF PHILADELPHIA
Population (2020)	69,088	134,396	203,484	193,952	1,603,788
Land Area (Acres)	1,399	3,619	5,018	8,925	85,825
Population Density (per Acre)	49	37	41	22	19
Percentage of Population Age 25 and Over with a Bachelor's Degree (2021)	80%	66%	71%	35%	33%
Households (2021)	36,376	61,495	97,871	73,258	646,608
Average Household Income (2021)	\$141,913	\$128,326	\$133,376	\$77,019	\$77,454
Housing Units (2021)					
Owner-Occupied	11,297	29,126	40,423	39,316	338,868
Renter-Occupied	25,079	32,369	57,448	33,942	307,740
Vacant	5,615	6,996	12,611	9,212	74,080
Total	41,991	68,491	110,482	82,470	720,688
Percentage of Housing Units Occupied	86.6%	89.8%	88.6%	88.8%	89.7%
Percentage of Occupied Housing Units Owner-Occupied	31.1%	47.4%	41.3%	53.7%	52.4%
Average Household Size (2021)					
Owner-Occupied Units	1.7	2.3	2.1	2.4	2.6
Renter-Occupied Units	1.5	1.9	1.7	2.3	2.2
All Occupied Units	1.5	2.1	1.9	2.4	2.4

Source: 2020 Population from decennial Census. All other data from Census Bureau, 2021 American Community Survey, five-year estimates.

Fostering Citywide Growth

As housing decisions decouple from work locations for some employees, it's essential that more be done citywide to enhance cleanliness and safety, to invest in parks, recreation and schools, while supporting the growth of neighborhood commercial areas and other employment nodes. If not, residents with choice will vote with their feet, as they did in the heyday of suburbanization in the 1960s and 1970s. Alternatively, the paths that Center City and University City have taken can be replicated citywide, as a new mayor builds stronger partnerships with civic associations, community development corporations, private developers and business improvement districts.

Clean and safe is essential citywide. But neighborhood needs beyond Greater Center City are both greater and more complex. First, note how demographically distinct Greater Center City has become. In 2020, 62% of the population was white, 15% African American, 11% Asian, and 7% Hispanic.¹ Seventy-one (71%) of the population, age 25 and older, has at least a bachelor's degree, compared to a citywide proportion of 33%. Average household income, estimated by the 2021 ACS, was \$133,400 in Greater Center City, compared to a citywide average of \$77,500.

Prior to the global events of the last three years, the clustering of highly skilled workers in urban downtowns had attracted employers looking for talent, just as the presence of jobs was a lure for new residents. With remote and hybrid now added to the option of working five days per week in the office, high-density, walkable places, rich with amenities, remain uniquely competitive places. A recent, national analysis of post-pandemic work patterns concludes: "The mere fact that workers with teleworkable jobs can live in more remote, less dense areas does not mean that they will."²

While many may choose a suburban, rural or digitally nomadic lifestyle, there is a significant segment of high-skilled workers in professions that can be performed

at least partially remote, who value the dense, diverse neighborhoods that Greater Center City offers. This includes households who value the short walk or ride to work; others with one member working downtown and another remotely, or reverse commuting to suburbs; or households who value more affordable housing in Philadelphia in close proximity to Amtrak, so they can access higher paying jobs periodically in New York City.

Even if this cohort is far from dominant in the region, 70,000 residents living at densities of 49 persons per acre in the core of downtown have a disproportionately larger impact and support far more sustainable development patterns than 70,000 residents living at Phoenix, Arizona densities of 4.9 persons per acre or at suburban Montgomery County densities of just 2.8 persons per acre.

Most significantly, the presence of high-skilled jobs and residents at the center of the region's transit system generates the greatest demand for moderate-skilled and entry-level jobs. Thus, any citywide economic development strategy advanced by mayoral candidates should avoid false choices between *downtown and neighborhoods*, recognizing instead that inclusive growth for Philadelphia requires complementary strategies for both neighborhoods and the high density job areas of Center City, University City, the Navy Yard and other anchor institution districts.

As one writer noted during the depths of uncertainty in October 2020, "Even if Americans don't have to show up to the same office every day, the tax base, culture, vibrancy, hospitality backfill, and infrastructure (think school districts) that a thriving business and entrepreneurial community supports long-term is one of the essential underpinnings of a sustainable residential real estate market."³ And, one can add, the tax revenues generated downtown that support so many citywide services.

Any citywide economic development strategy advanced by mayoral candidates should avoid false choices between downtown and neighborhoods, recognizing instead that inclusive growth for Philadelphia requires complementary strategies for both neighborhoods and the high density job areas of Center City

¹ Citywide, 38% of the population is African American; 34% Caucasian; 15% Hispanic and 8% Asian

² Leah Brooks, Philip G. Hoxie and Stan Veuge, Working from Density AEI Economics Working Paper January 2023

³ Peter Lane Taylor, "COVID-19 Has Changed The Housing Market Forever. Here's Where Americans Are Moving (And Why)" Forbes Magazine Oct 11, 2020

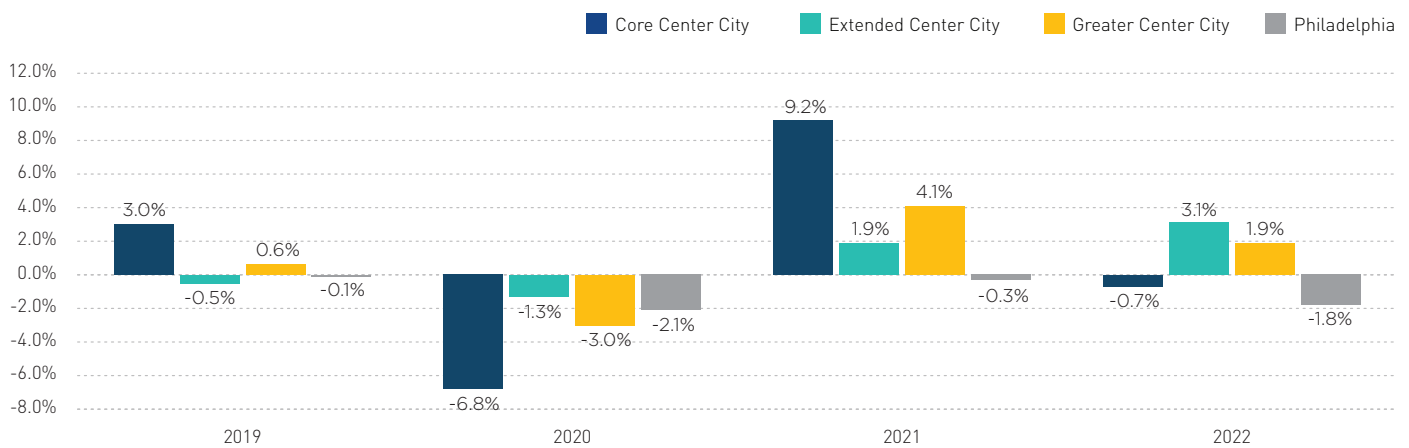
Rebounding from 2020

In 2020, the cumulative impact of the pandemic, stay-at-home directives and civil unrest on offices, universities, arts and cultural institutions, restaurants and downtown jobs led some residents temporarily to relocate. Many college students and recent graduates returned to family homes. Some more established households departed for second homes at the beach, in the mountains or in warmer climates. Evidence from U.S. Postal Service change of address filings and mobile phone location data from Placer.ai document how the downtown population declined in the spring and summer of 2020. But since then, there has been a gradual, continuing rebound, augmented by a substantial new inventory of housing options with amenities like basketball courts and fitness centers, co-working and social gathering places, 24-hour doormen and dog walking services. A growing number of millennials now forming their own households are also an important source of new housing demand.

Some of the closest to real-time evidence of Center City population trends is available from Placer.ai, which estimates monthly migration at the ZIP code level, based on mobile phone location data. Placer defines migration as a change in a phone user's home location for at least two consecutive months and therefore captures even relatively short term, seasonal relocations.

These estimates suggest that Greater Center City lost 3% of its population in 2020, due to domestic migration, with the largest loss concentrated in the core, where population dropped by 6.8%. But the pattern reversed in 2021, with positive net in-migration to Greater Center City. Again, the largest change was in the core, where the population rebounded by 9.2%. Data through the first 11 months of 2022 suggest a more moderate migration gain of 1.9% in Greater Center City with the core almost unchanged (FIGURE 3).

FIGURE 3 Net Migration to Center City and Philadelphia as a Percentage of Population



Source: CCD analysis of Placer.ai migration estimates.





The Impact on Housing Markets

There were 2,805 housing units completed in Greater Center City in 2022, 48% of the citywide total. An additional 1,588 units were completed in the five adjacent ZIP codes, 27% of the citywide total. Combined, the 4,393 units completed in Greater Center City and the adjacent ZIP codes represented 75% of all supply delivered in the city.

Within core Center City, there were 728 units completed in nine developments, led by three major projects with significant amenities: Riverwalk North at 60 North 23rd Street (310 units), One Cathedral Square at 1701 Race Street (273 units), and Arthaus at 315 South Broad Street (107 units). Two rose on former parking lots, the third replaced low density buildings on the Avenue of the Arts.

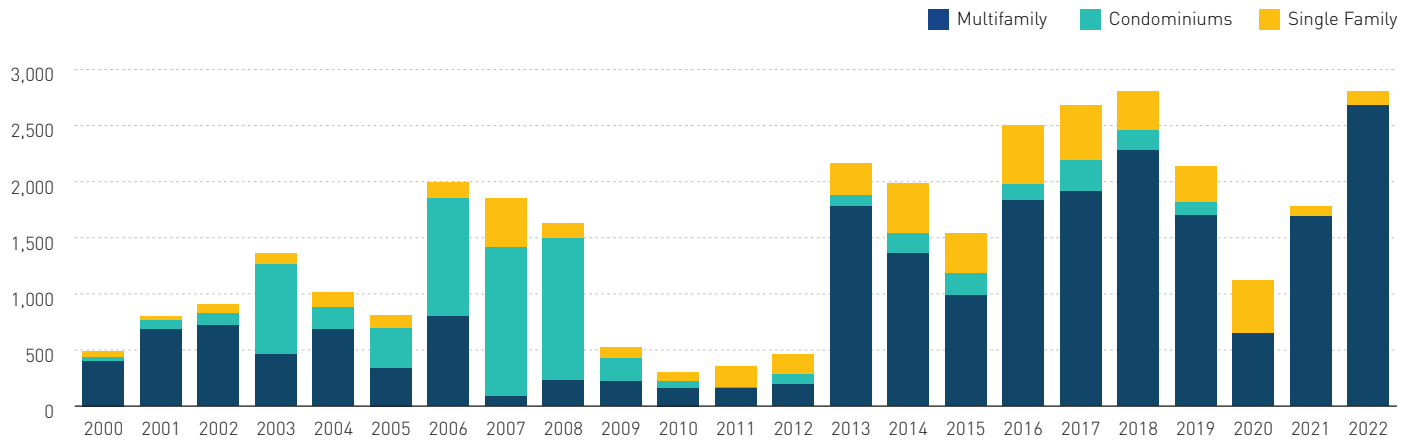
Within extended Center City, there were 2,077 units completed in 267 projects. Of these, 1,721 were within multifamily projects with five or more units. The largest projects completed during the year were Broadridge at 1300 Fairmount Avenue (460 units), LVL North at 510 aNorth Broad Street (410 units), and Fairmount North at 2601 Poplar Street (108 units). The neighborhoods to the south, immediately adjacent to downtown, have benefited from steady reinvestment in row houses and infill housing since the 1960s. The majority of single-family completions in 2022 were located there with 121 single-family units, compared to just 5 in the two northern ZIP codes. But three-quarters of all completions in extended Center City last year occurred to the north of the core in former industrial zones where the land was available for large, multi-family projects (FIGURES 4, 5, 6).

FIGURE 4 Housing Completions by Area, 2022

AREA	COMPLETED UNITS	PERCENTAGE OF CITYWIDE COMPLETED UNITS
Core Center City	728	12%
Core West	600	10%
Core East	128	2%
Extended Center City	2,077	35%
19130	675	12%
19123	867	15%
19146	390	7%
19147	145	2%
Greater Center City Total	2,805	48%
Adjacent ZIP Codes	1,588	27%
19121	381	7%
19122	544	9%
19125	499	9%
19145	107	2%
19148	57	1%
Greater Center City + Adjacent ZIP Codes Total	4,393	75%
Philadelphia Total	5,853	100%

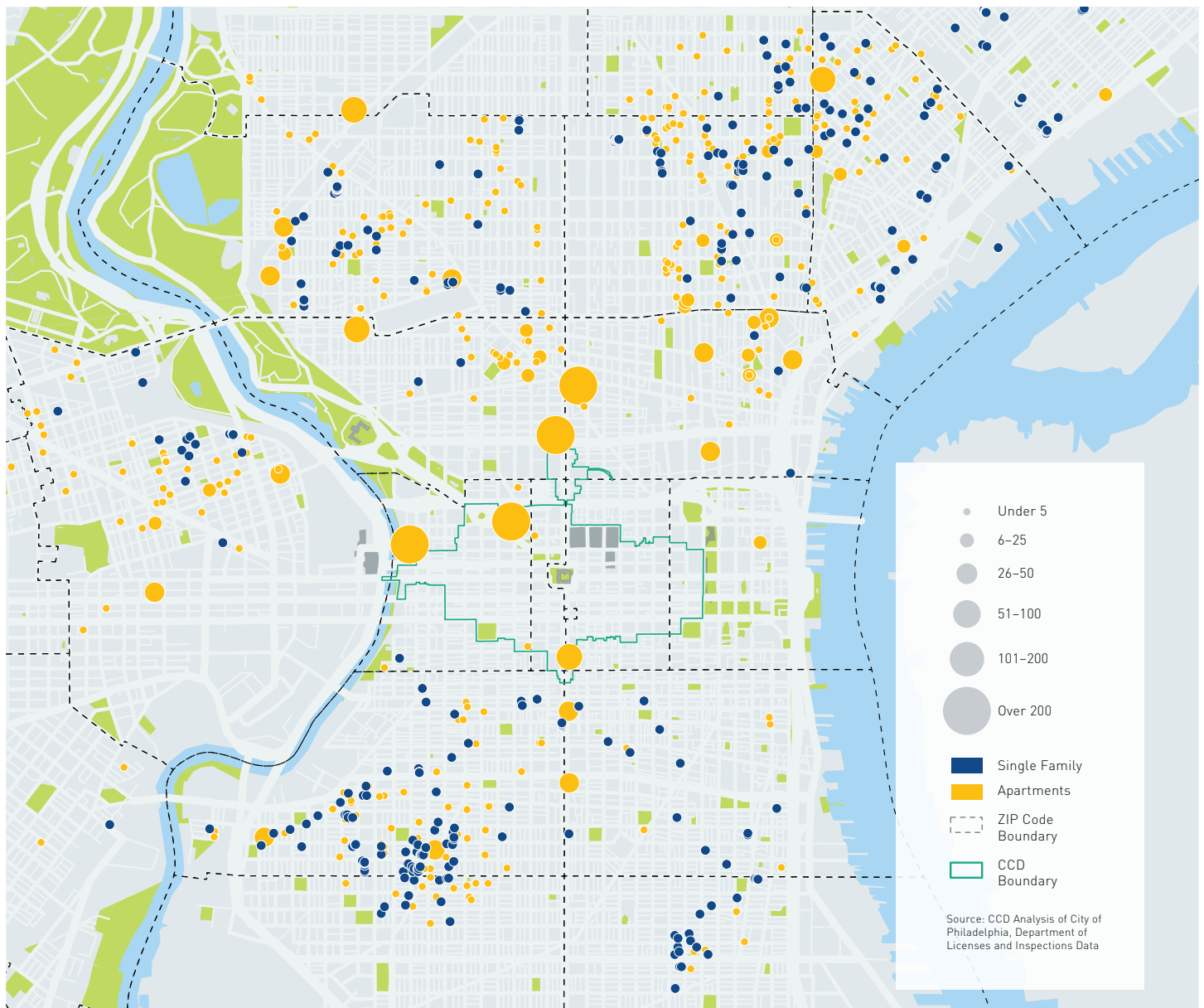
Source: CCD analysis of City of Philadelphia, Department of Licenses and Inspections data

FIGURE 5 New Housing Units Completed in Greater Center City



Source: CCD analysis of City of Philadelphia, Department of Licenses and Inspections data

FIGURE 6 Housing Units Completed in 2022





Top: Two Riverwalk towers
Bottom: The Ryland, adjacent to Society Hill Towers.

Work in Progress

Residential units now under construction or with active permits are also highly concentrated in Greater Center City (FIGURES 7 & 8). As of December 31, 2022, there were 13,544 units under construction or with active permits in Greater Center City, 48% of the city total.

For more than two decades, reinvestment, diversification and population growth downtown raised prices in the core, while spurring demand for more affordable, market-rate developments in the extended Center City neighborhoods. As the number of available large sites in the core decreased in last several years, the highest concentrations of activity has shifted to ZIP codes 19123 (Northern Liberties), 19122 (around Temple University), 19125 (Fishtown) and most recently along the Delaware River. These neighborhoods are desirable not only because of ease of access to downtown on the Market-Frankford Line and Broad Street Line (with commute times to Center City often 15 minutes or less), but also because of their improving mix of amenities and services and their uncongested access to highways and bridges for reverse commuting. Similarly, single family housing construction remains robust in the transit accessible neighborhoods of Point Breeze and Pennsport. However, as Figure 5 clearly shows, the overall share of new units in 2022, between 85% to 90%, were apartments.

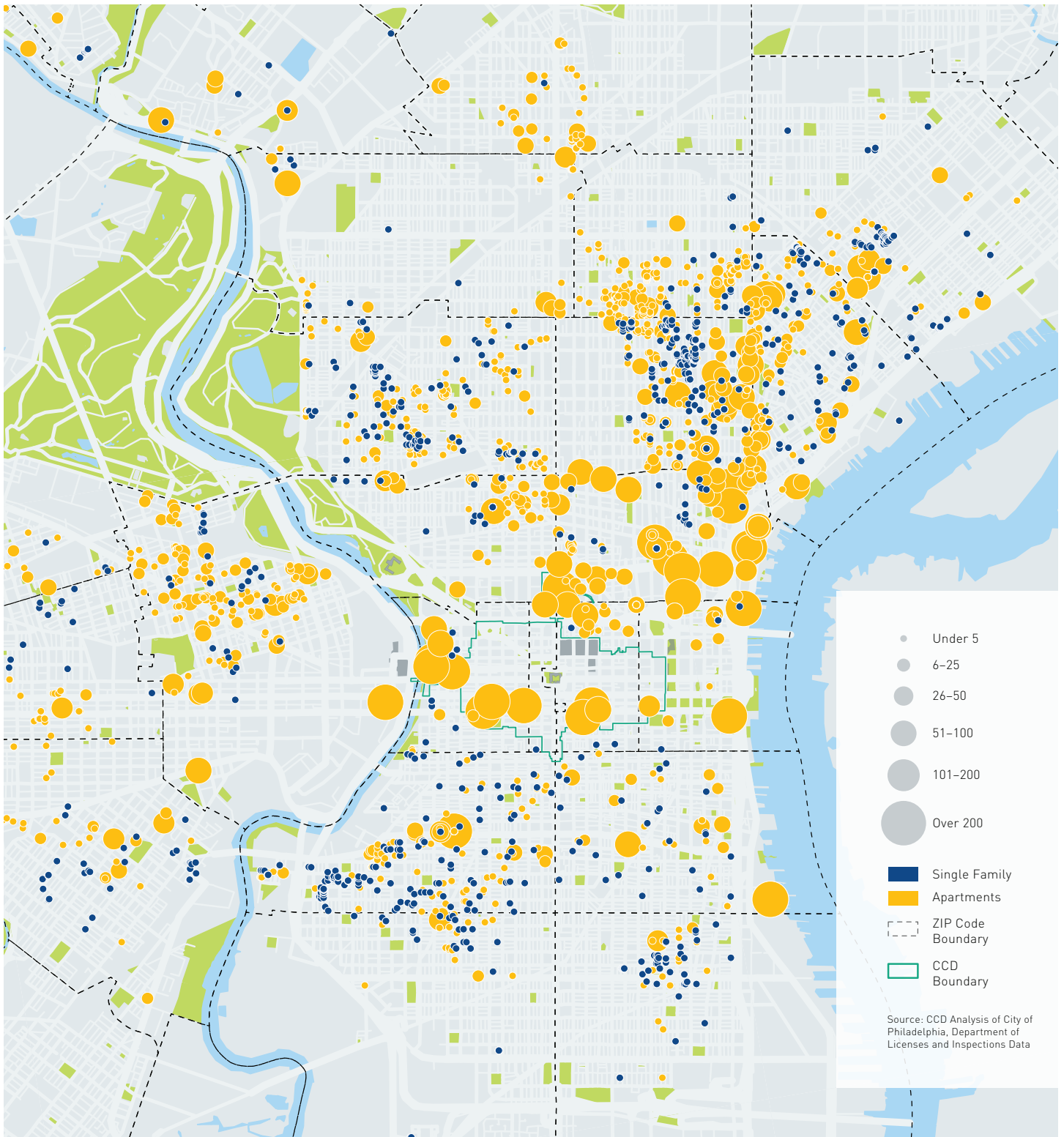
FIGURE 7 Housing Units in Progress by Area as of December 31, 2022

AREA	UNITS IN PROGRESS	PERCENTAGE OF CITYWIDE UNITS IN PROGRESS
Core Center City	4,230	15%
Core West	2,129	8%
Core East	2,101	7%
Extended Center City	9,314	33%
19130	829	3%
19123	6,384	23%
19146	994	4%
19147	1,107	4%
Greater Center City Total	13,544	48%
Adjacent ZIP Codes	6,722	24%
19121	858	3%
19122	2,558	9%
19125	2,112	7%
19145	994	4%
19148	200	1%
Greater Center City + Adjacent ZIP Codes Total	20,266	72%
Citywide Total	28,319	100%

Source: CCD Analysis of City of Philadelphia, Department of Licenses and Inspections Data



FIGURE 8 Housing Units in Progress in 2022



Homeownership Trends

In the years leading up to the pandemic, the value of single family homes and condominiums in the rest of the city and region began accelerating faster than in Greater Center City, as market demand radiated outward. The events of 2020 led to a flattening of values in Greater Center City. But by early 2022, the market's perception of the long term value of a Center City location substantially rebounded and the appreciation gap between the core and the rest of the city was almost completely eliminated.

Single Family Homes. Data from the Multiple Listing Service (MLS), which tracks brokered sales, also documents how the median price of single family homes sold in core Center City declined significantly in 2020 and 2021. However, prices recovered by 2022, although the 2022 median (\$825,000) is still 13% below the 2019 level. Single family home values in extended Center City were stable or increasing with the median sale prices increasing every year since 2019, reaching \$487,500 in 2022, 16% higher than 2019. Overall, price appreciation, as measured by the median MLS sale's price, in the extended neighborhoods increased at the same pace as homes in the city as a whole.

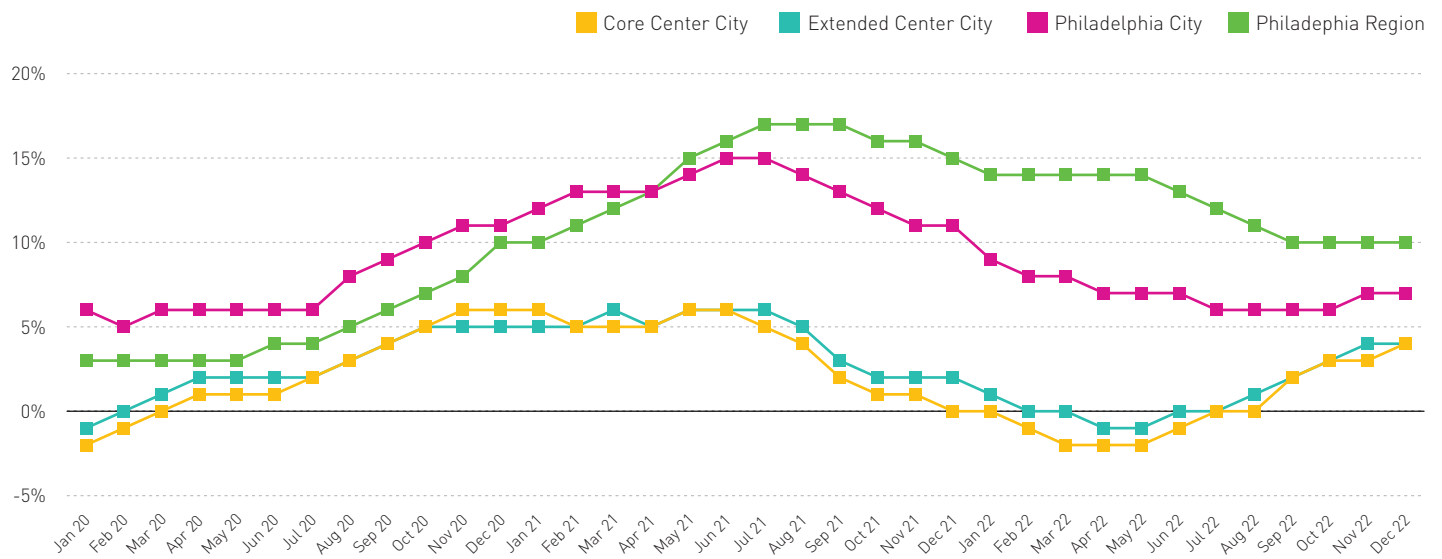
The Zillow Home Value Index (ZHVI) for single family homes, which is available at the ZIP code level, also shows that the appreciation of single family homes citywide outperformed Greater Center City, with annual price increases typically 5%-10% higher than Center City ZIP codes in 2021 and the first half of 2022. The gap however, between Philadelphia and Greater Center City narrowed in the final months of 2022 (FIGURE 9).

The ZHVI for single family homes also indicates that regional price appreciation slowed beginning in the last quarter of 2021, while Center City prices rebounded in the second half of 2022. The impact of the events of 2020 on the downtown began to wane as cultural institutions and restaurants reopened, workers returned to offices and the CCD substantially ramped up its public safety personnel on Center City sidewalks and streets in partnership with federal, state and local police and corporate and institutional security teams.⁴ As a result, there was a 10.8% decrease in serious crime within the CCD from 2019 to 2022. But more needs to be done to restore fully the perception of Center City as a safe place.

Analysis by Drexel University economist Kevin Gillen also shows that since 2018 the single family market in Center City appreciated less than Philadelphia as a whole with a quality adjusted housing value index increasing since 2017 just 7% in Greater Center City compared to 54% citywide (FIGURE 10). Nonetheless, the long-term appreciation of Center City homes outpaced that of Philadelphia as whole during the past two decades.

Condominiums. MLS data indicate that median condominium sales prices within the downtown have been stable or increasing during the past three years. In core Center City, the median condominium sale price in 2022 was \$371,500, a slight 2% increase over the 2019 level, while prices in the extended Center City area during this period rose by 10%, and in the adjacent ZIP codes by 17%. The number of units sold in Greater Center City declined between 2019 and 2020, and rebounded in 2021 and remained high in 2022 relative to the

FIGURE 9 Zillow Single Family Home Value Index Year Over Year Percentage Change for Center City, Philadelphia City, and Philadelphia Region



Source: CCD analysis of Zillow Home Value Index for single family homes.

4 <https://www.centercityphila.org/pressroom/ccd-expands-public-safety-outreach-crime-prevention-programs>

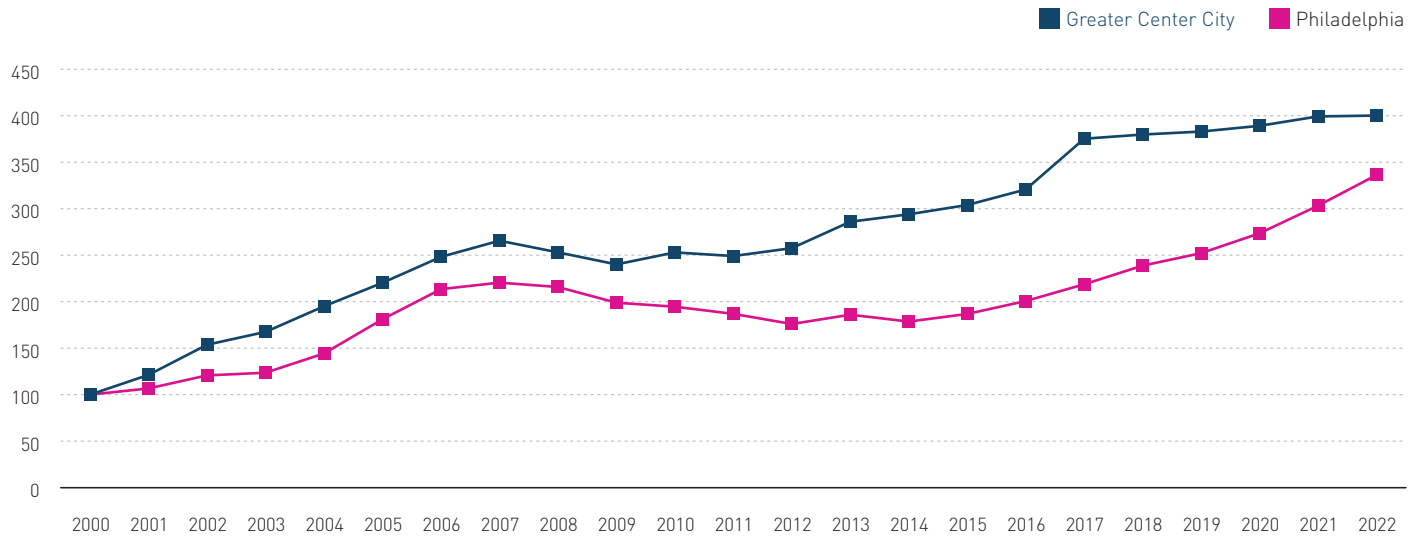
2019 level. While days on the market exceeded 100 in core Center City in 2020 and 2021, this metric declined to 93 in 2022, as market activity accelerated.

The Zillow Home Value Index for the condominium/co-op market presents a similar picture, showing the Greater Center City condominium market trailing regional trends in the second half of 2021 and into 2022, with positive price growth returning in the second half of 2022. The extended Center City market has modestly outperformed the core market during this period. As was the case with the single family

market, the Zillow condominium index also shows that the gap between the Center City and regional market has narrowed in the second half of 2022, as restored vitality downtown has improved the outlook of buyers.

Significant generational differences remain, however. CCD's survey data clearly show that those over age 55, the demographic that supports the higher end of ownership market in the core of downtown, were far more disturbed by events of 2020 than those under 35 years of age, who drive the rental market.

FIGURE 10 House Price Indices for Greater Center City and Philadelphia



Source: Kevin C. Gillen, Lindy Institute for Urban Innovation, Drexel University.



The Rental Market

The rental market has followed a similar trajectory in the last three years. Data from CoStar, which tracks larger and newer multi-family buildings, shows that average asking rents for Greater Center City apartments declined 4.3% in 2020, before increasing 8.4% in 2021 and 1.0% in 2022. The most significant variation was in core Center City, where rents declined 5.4% in 2020, before rebounding 10.2% in 2021 and 0.5% in 2022. While the number of leased units tracked by Costar declined by 902 in 2020, occupied units surged to 3,700 in 2021, the largest net absorption of any year during the past two decades. This occurred even as rents were increasing, suggesting sustained demand (FIGURE 11).

While CoStar tracks the residential equivalent of the Class A office market, there is substantial supply of rental units in older apartment buildings and in townhouses throughout Center City that have been subdivided, whose occupancy is not tracked by any organization that publishes such data. But by reviewing the Census Bureau’s American Community Survey (ACS), it is possible to gauge trends in the entire rental market over the last decade.

ACS data suggests that the increased supply of high-quality, rental units, many offering inducements to sign leases, combined with the disruptive effects of the events of 2020, produced a rising vacancy rate in the core in 2020 and 2021, but a falling vacancy in extended Center City neighborhoods (FIGURE 12).

The huge upsurge in new apartments delivered in 2022, highlighted in Figure 6, which are likely to be followed by another increase in supply in 2023 and 2024 of units now in the construction pipeline, highlighted in Figure 7, suggests that a caution flag might need to be raised. Still, this potential, future spike is at least partly due to the sunset of the full 10-year tax abatement for new construction at the end of 2021, as developers rushed to beat that deadline, which had been extended for one year, during the pandemic. A second factor is the rebound in construction projects that had shut down in 2020. Both of these were unique events.

FIGURE 11 Net Absorption, Center City Multifamily Housing (Units)

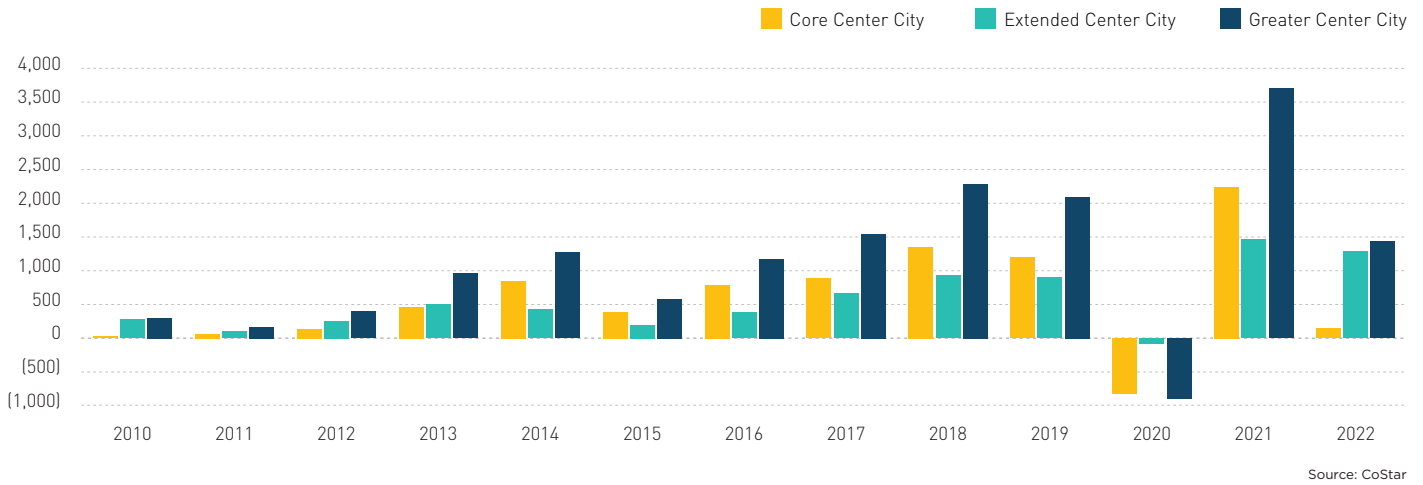
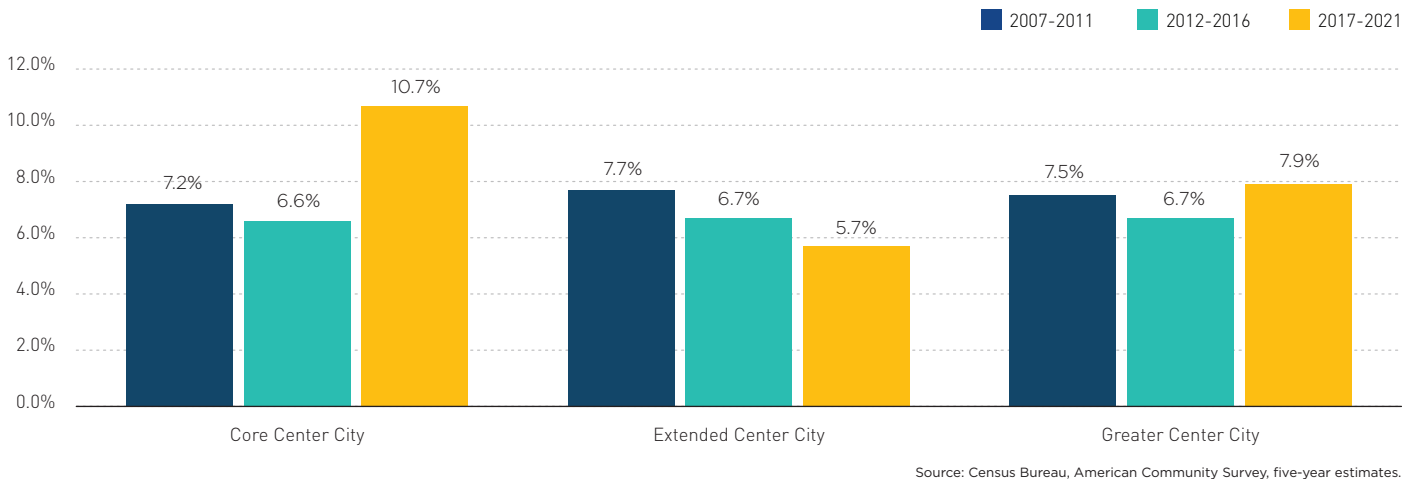


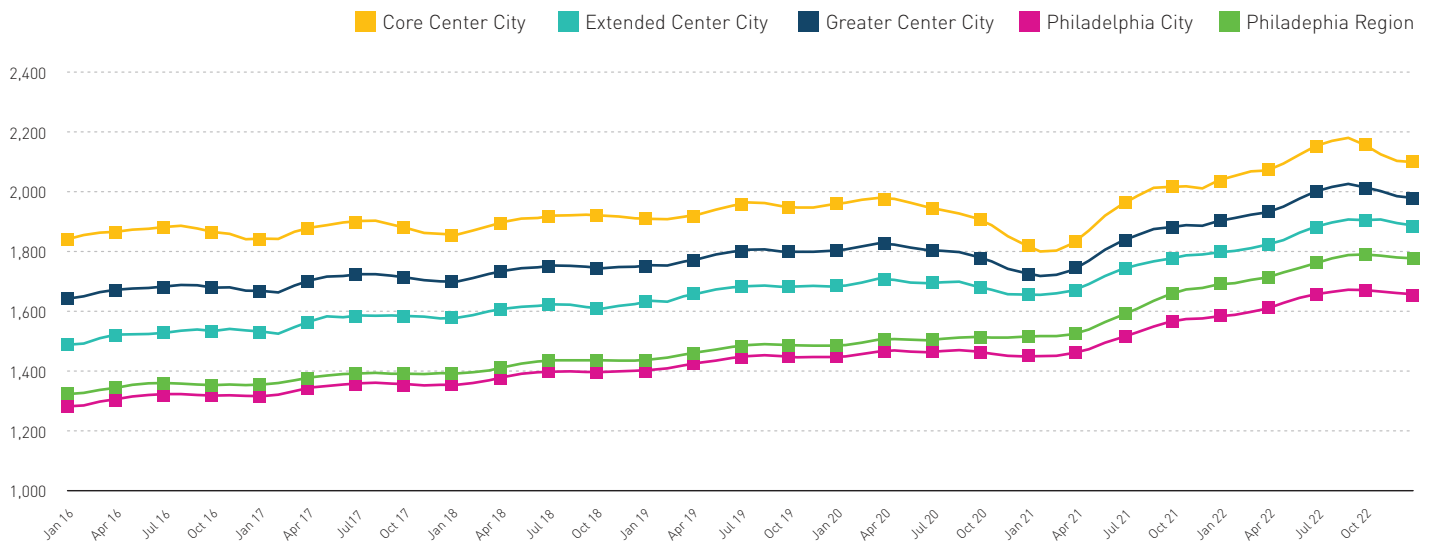
FIGURE 12 Rental Housing Vacancy Rate in Center City





The Arthaus on South Broad Street

FIGURE 13 Zillow Observed Rent Index: Center City, Philadelphia City, and Philadelphia Region



Source: CCD analysis of Zillow Observed Rent Index data



Conclusion: Looking to the Future

The recent surge in new rental units should be placed in context of the full inventory of existing apartments within Greater Center City. In 2021, there were slightly more than 63,000 apartments. The 2,678 units added in 2022 represents an increase of just 4.2%.

At the start of 2023, there were 13,150 rental units in projects with permits to proceed. Based on visual inspections and a review of the construction status of projects with 100 apartments or more from the development monitoring site Yimby.com, there are just under 5,000 units in Greater Center City currently under construction.⁵ Among these are two large projects, one in Northern Liberties and one at South Broad Street and Washington Avenue, proceeding in phases.

With interest rates and construction costs rising, it is unlikely that projects that have neither secured financing nor commenced construction will move forward in the near future. If those under construction are delivered during the next three years, that represents an annual 2.5% increase in supply in 2023, 2024 and 2025, plus the delivery of several hundred more units in smaller projects.

At the same time, with two major office buildings under construction within the commercial core, there are new opportunities to convert older buildings to residential use, helping further to diversify downtown land-use, create more

animated sidewalks 24-7 and improve the setting for both living and working.

Center City should also be viewed in a regional context. The Zillow Observed Rent Index (ZORI) provides yet another snapshot of the downtown rental market, showing a decline in rents in 2020 with recovery beginning in 2021. During the past three years, rents have increased both downtown and regionally, with the per unit rate increasing 7% in core Center City between December 2019 and December 2022, 12% in extended Center City, 15% citywide, and 20% regionally.

Since the disruptive events of early 2020, however, downtown has performed more in line with the region, suggesting that broader macroeconomic trends, beyond the specifics of new inventory, are probably at play (**FIGURE 13**).

The City of Philadelphia needs to address lingering quality of life challenges and improve its performance on *clean and safe* in areas outside of those already served by business improvement districts. Then, if return to work patterns continue to improve as employers successfully adapt to new modes of work, there is no reason why the trajectory of growth in the last two decades, which included the severe disruptions of 9/11 and the Great Recession, cannot accelerate in the coming decade.⁶ Cities that are well-managed are highly resilient places.

⁵ <https://phillyyimby.com>

⁶ Pedestrian Vitality: Momentum Continues to Build, CCD January 2023, <https://centercityphila.org/research-reports/pedestrian-count-report-january-2023>

Appendix: Affordable Housing Options

Declining in the 1980s and again after the Clinton administration, federal resources for affordable housing continued to fall to levels far below what is typical in many European and Asian nations. Today, there are 36,697 affordable rental units in Philadelphia benefiting from long-term public subsidies, of which 34,128 (93%) are federally subsidized and 2,568 (7%) are underwritten by the City. In addition, there are 19,500 housing choice vouchers held by lower income residents, used to reduce the cost of units that they rent in privately-owned, unsubsidized rental properties. With approximately 307,000 renter occupied units citywide, this means only 18% of renter households benefit from some form of subsidy, while the need is much greater. When the Philadelphia Housing Authority recently opened its waitlist for housing choice vouchers, 36,767 individuals applied.

While much of the new market rate housing construction now happening at scale is occurring on vacant or industrial sites, there are several hot spots of gentrification where lower cost units are being demolished or renovated and leased sold at significantly higher prices.⁷ But it important to recall this intense development activity is happening in just 16% of the city's land area. There are still significant areas of Philadelphia with very affordable neighborhoods and privately-owned, lower cost housing, much in substandard condition that could be upgraded through public programs and incentives.

Unlike many cities that have experienced uniform housing price inflation across all neighborhoods, Philadelphia's affordability challenge remains much more a problem of very low incomes than it is of expensive rental rates: 77% of Philadelphia renter households with incomes below \$35,000



Located at North 16th and Market, the Ingersoll Commons, adjacent to Ingersoll Park, provides affordable housing adjacent to a new park with storm water mitigation features, the result of a partnership between Community Ventures, Philadelphia Water Department, and Philadelphia Parks and Recreation.

⁷ Philadelphia's Changing Neighborhoods Gentrification and other shifts since 2000, The Pew Charitable Trusts, May 2016 <https://www.pewtrusts.org/en/research-and-analysis/reports/2016/05/philadelphias-changing-neighborhoods>

are cost burdened, a proportion that is second highest among large Northeast cities. By contrast, Figure 14 highlights how households with incomes of \$35,000 or more, are less likely to be challenged by high housing costs than peers in other cities. For renters whose income exceeds \$35,000, only 24% are cost burdened in Philadelphia, compared to 27% to 33% in other cities. Philadelphia's historically slow job growth, weak labor demand and correspondingly lower rates of workforce participation are the greatest drivers of the affordability challenge.

Similarly, while 27% of Philadelphia households who own their homes pay more than 30% of their income for housing, the percentage in Boston is 28% and in New York it's 34%. For those households with moderate to higher incomes, Philadelphia offers far more affordable ownership opportunities (FIGURE 15).

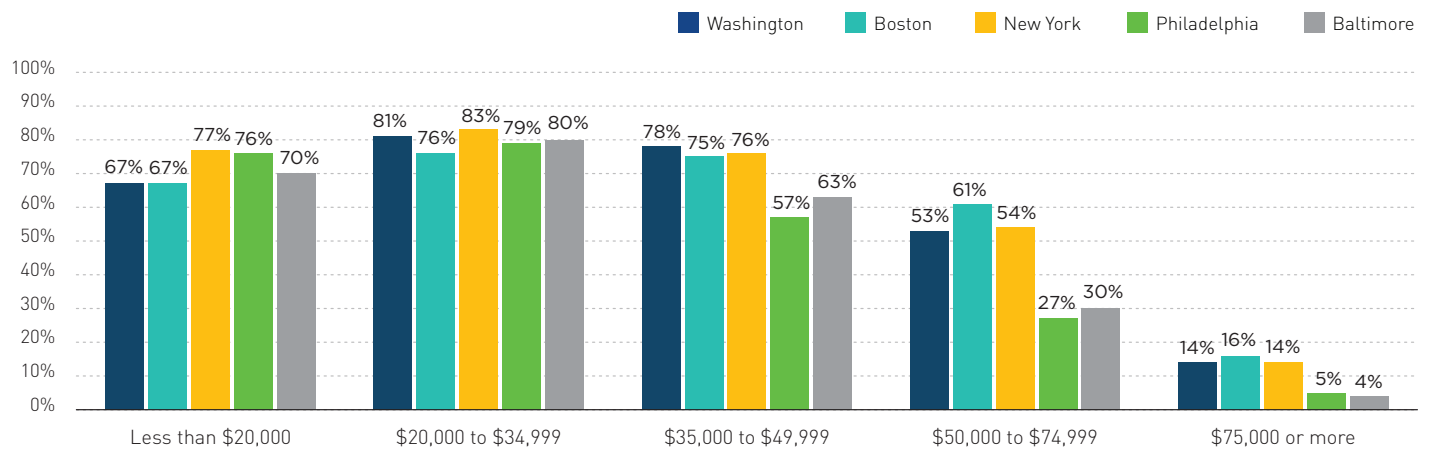
Philadelphia's next mayor can break down silos between public and private sectors, pursuing far more collaborative

approaches to co-producing clean and safe neighborhoods and commercial corridors and increasing the supply of affordable housing.

For example, to address homelessness and addiction in public spaces and on transit, both the Center City District and SEPTA have forged robust partnerships between outreach teams, mental health, drug addiction and public safety professionals.⁸

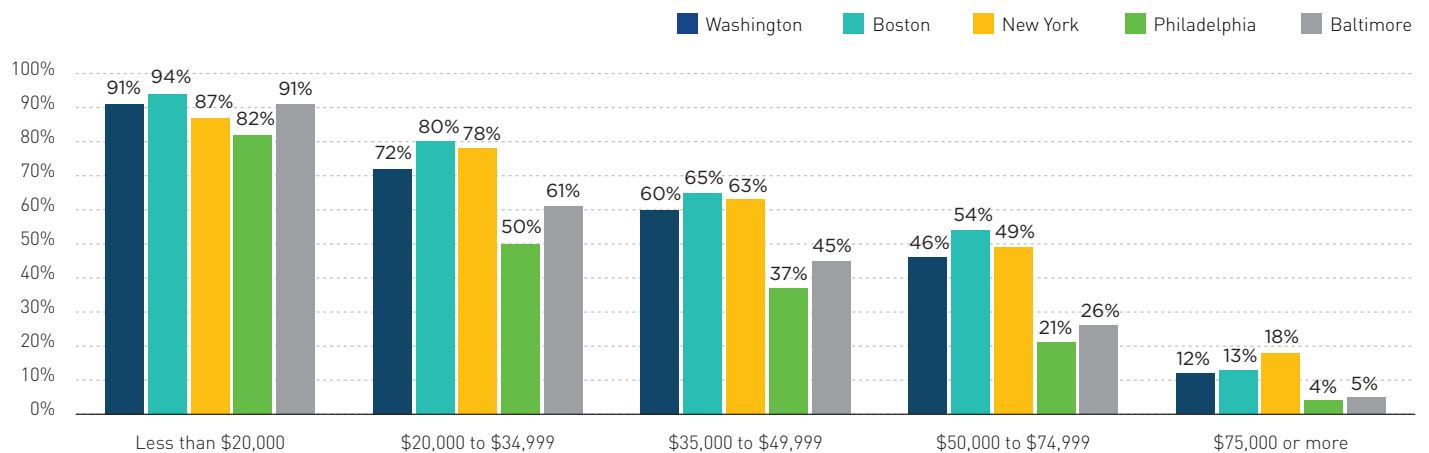
Philadelphia's recently formed BID Alliance is a citywide collaboration between sixteen organizations focused on long-term economic development and on-street services that brings private sector and institutional resources to the table in business and retail areas to supplement essential municipal services. They have released a policy agenda for the next mayor that builds on the success with enhancing public spaces, quality of life and competitiveness that is occurring in neighborhoods across the city.⁹

FIGURE 14 Percentage of Renter Households that are Cost-Burdened by Income Level, Northeast Cities



Source: Census Bureau, American Community Survey, 2021 five-year estimate

FIGURE 15 Percentage of Homeowner Households that are Cost-Burdened by Income level, Northeast Cities



Source: Census Bureau, American Community Survey, 2021 five-year estimate

⁸ Information about CCD's Ambassadors of Hope outreach program can be accessed here <https://www.centercityphila.org/ccd-services/public-safety/homeless-outreach>

Information about SEPTA's outreach program <https://iseptaphilly.com/blog/scopedeployments>

⁹ The Philadelphia BID Alliance, <https://phillybidalliance.org/>



Finally, the Building Industry Association of Philadelphia in 2021 released a *Blueprint for Attainable Housing* recommending a collaborative approach to housing development that capitalizes on the strengths of community development corporations and private developers to deliver greater volumes of high-quality attainable units at lower costs than have been produced in the public sector. In addition to the existing housing trust fund in which market rate developments generate resources for affordable housing, they recommend a range of new incentives such as increased density bonuses for affordable housing, reducing minimum lot size requirements for affordable developments and preserving the full 10-year, new construction tax abatement for projects that include more than 20% affordable units.¹⁰ At a time when national politics are deeply polarized, successful cities will be those that dial down ideological rhetoric and forge new partnerships dedicated to inclusive growth and simply getting things done.

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The Market-Frankford Line, seen to the right, connects the neighborhoods northeast of the downtown to Center City and University City.

¹⁰ Building Industry Association <https://canilivehere.org/wp-content/uploads/2021/09/BIA-Housing.pdf>