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and the Center City District
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CENTER CITY REPORTS

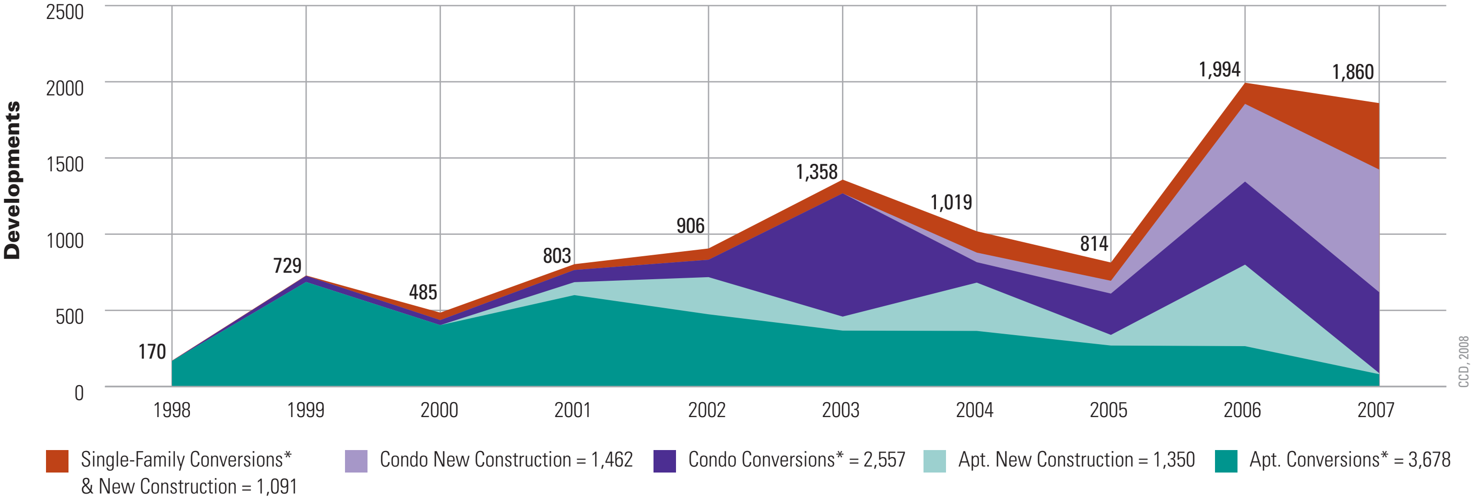
RESIDENTIAL DEVELOPMENT, 2008:
GROUNDS FOR CONFIDENCE

Since the approval of the 10-year tax abatement in 1997, **10,316 housing units have been constructed** in an expanding ring of neighborhoods surrounding the central business district, stretching from Girard Avenue on the north to Tasker Street on the south. An average of 1,155 new units per year of ownership and rental housing have been added to the inventory during this decade, while occupancy levels remained high and rents and housing prices increased. The average sales price of housing in Center City has increased from $275,000 in 2003 to $383,000 in the first half of 2008, while rental vacancy rates have dropped from 5.6% to 5.0% between 2005 and 2007. These trends suggest a healthy housing market in Center City as new residents from inside and outside the region absorb additional supply as it comes on line.

Within the traditional business district, office buildings have been converted to residential use and new towers and mid-rise buildings have significantly diversified land-use. An estimated **20,000** residents now live within the boundaries of the Center City District and routinely walk to work, support new retail and animate streets well after dark.

From high-rises to townhouses, conversions, in-fill and new construction, 10,316 new housing units have been added to Center City since 1997.

New Center City Residential Development by Type, 1998–2007



** Conversions include only the transformation of formerly non-residential or vacant space to residential use and do not include existing apartments converted to condominiums.*

If one looks at the boundaries of residential Center City, as defined during urban renewal days, Vine to South Streets, river to river, an estimated **57,000** residents now make their homes in high-rises, lofts and townhouses (see map on on right). Housing prices in these close-in neighborhoods have appreciated by 246% in the last decade, while the number of condominium sales priced over $1 million has increased from one in 1998 to 115 in 2007. If one draws the boundaries of Center City to include all the adjacent census tracts that have experienced significant appreciation and where typical households are significantly smaller (1.56) than the Philadelphia average of 2.5 persons per household, then **Center City's population has increased by 14% since 2000 to 90,000 residents.** Even beyond this ring, new buyers, renters and renovators are establishing homes and lofts in traditionally working class communities.

Who Lives Here?

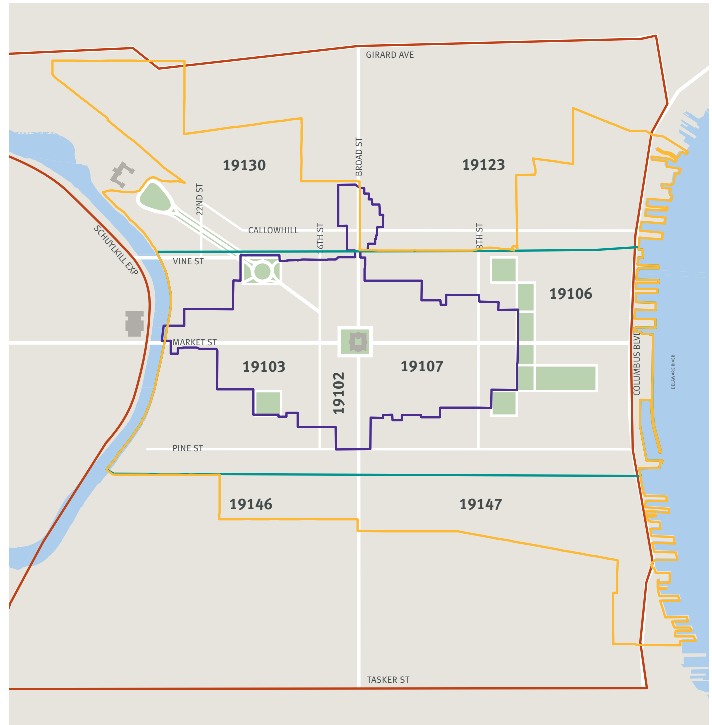
To understand who new Center City residents are and how they think about downtown, CCD/CPDC conducted several surveys between 2006 and 2008. The largest, focused on 3,000 residents in the eight ZIP code area (19102, 03, 06, 07, 23, 30, 46 and 47), was sent in May 2006 to homeowners and renters, by email, by mail, through several building and condo managers, and electronically by three Center City civic associations. A second survey of condo owners and renters in 62 different residential buildings within the boundaries of the Center City District was conducted by mail and online in the spring of 2007 and yielded 350 responses. In the summer of 2007, an on-street survey was conducted at five different locations — in Rittenhouse Square, Old City, Fairmount and Society Hill — and focused specifically on issues of healthy living. Two hundred respondents were asked about their journey to work, exercise routines, and what improvements they would like to see in Center City. Finally, in the summer of 2008, the CCD surveyed managers of major condominium projects within the boundaries of the District.

2006 Residential Survey: New City-Dwellers, New High-Skilled Workers

Forty-one percent of respondents to the 2006 survey had recently moved in from outside Philadelphia. While many respondents to the survey have lived in Center City for as long as 20 years, and a few for 50 years, the average home or condo owner lived at their current address for seven years and nine months; 33% of all homeowners reported their prior residence was outside the city. The average renter indicated they had been downtown for three years and one month; 47% of renters indicated that their prior residence was outside the city.

Eighty-eight percent of all respondents had at least a college degree and 47% had an advanced or professional degree.

Expanding Boundaries of Center City



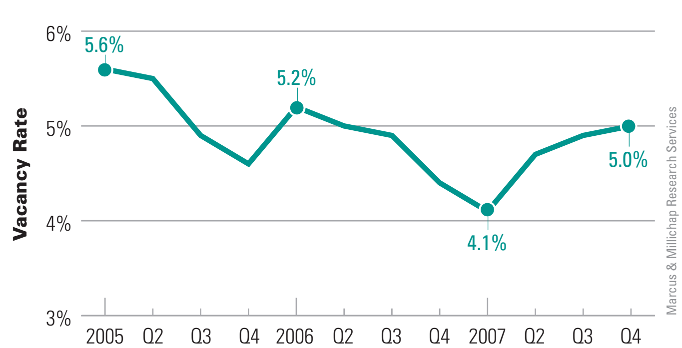
- CCD Boundary: 3,273 New Units
- Center City (Vine to South): 5,407 New Units
- Extended Boundary: 7,096 New Units
- 8 ZIP Code Boundary: 9,411 New Units

Estimated Center City Population, 2008

ZIP Code	2000 Census Population	New Units Since 2000	Household Size	Est. 2008 Population
Center City District boundaries	15,871	3,273	1.34	20,000
Center City: 1960 boundaries	49,211	5,407	1.47	57,000
Expanded Boundaries	78,902	7,096	1.56	90,000
8 ZIP Code Area	145,964	9,411	1.56	161,000

CCD, 2000 Census

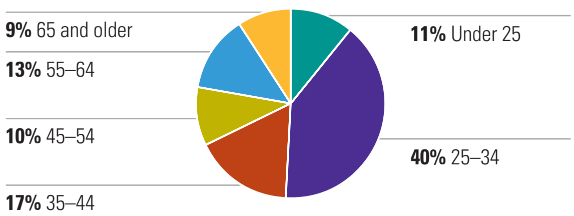
Apartment Vacancy Rates, 2005–2007



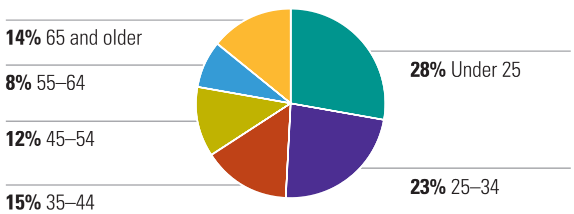
Prepared by: Center City District & Central Philadelphia Development Corporation, September 2008

Age of Survey Respondents

May 2006 Survey:

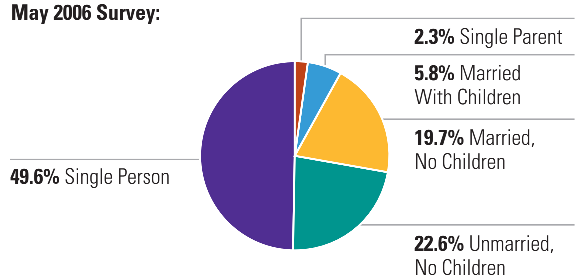


2000 Census:

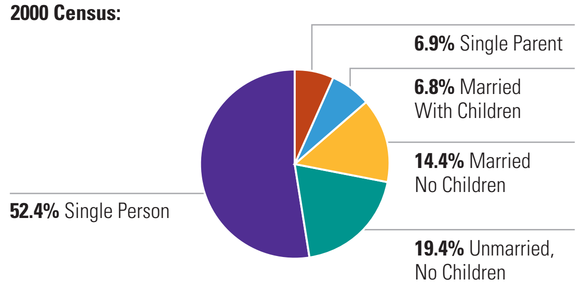


Household Type

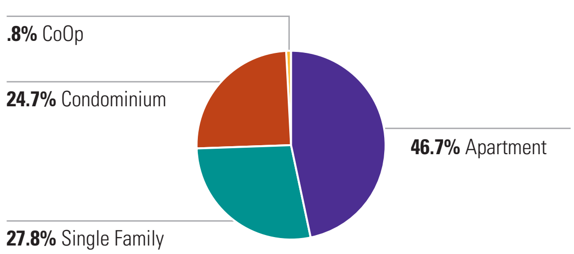
May 2006 Survey:



2000 Census:

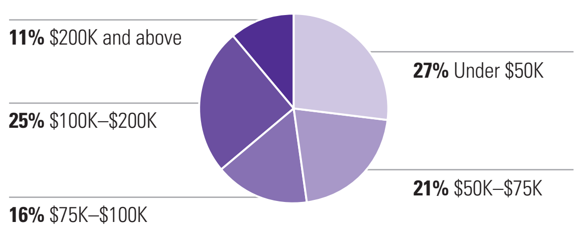


Type of Residence

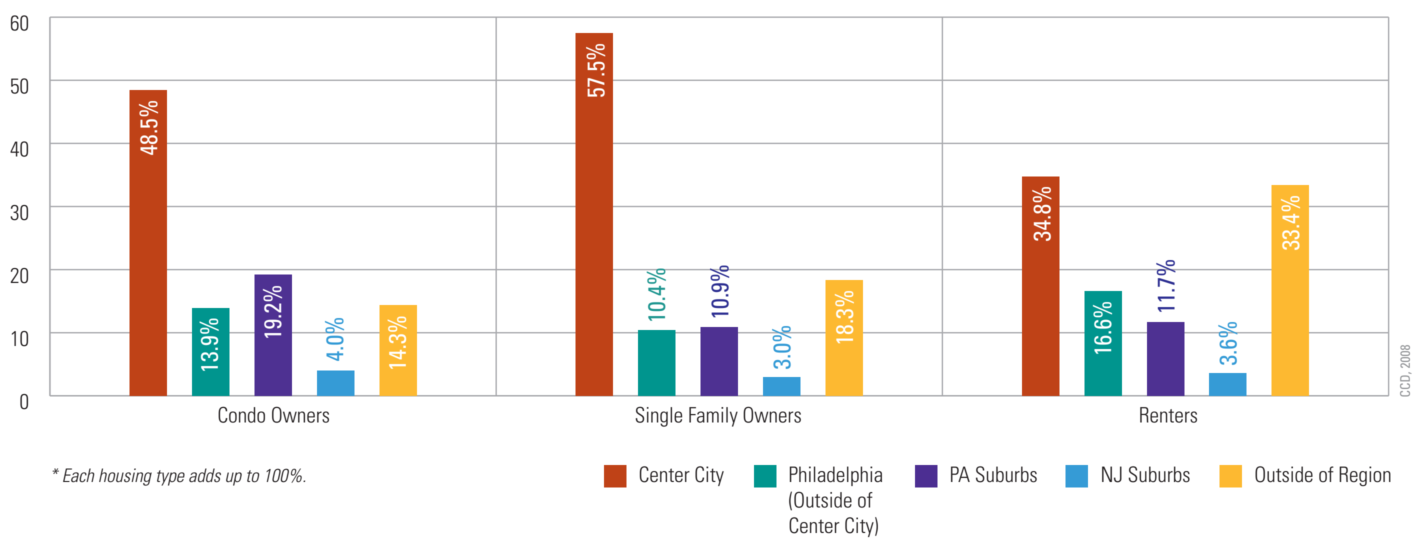


Household Income

May 2006 Survey:



Place of Previous Residence



** Each housing type adds up to 100%.*

Center City is therefore enhancing Philadelphia's economic competitiveness by attracting from other locations a significant number of professional, well-educated new residents of all ages who bring with them new skills, new energy and new ideas.

Sixty-five percent were employed full-time, 5% part-time and 7% were self-employed. Eight percent were full-time students; 6% were retired. ZIP code 19106 had both the largest number of self-employed (11%) and retired respondents (12%). 19107 had the largest number of student respondents (14%).

Respondents reflected the broad cross section of age groups who currently live in Center City. The age distribution of respondents was similar to that recorded in the 2000 Census, though there were fewer respondents under 25 and a significantly larger number of respondents were ages 25-34 (40%).

Household types who responded were nearly identical to the household types in the 2000 Census. The average household size of respondents (1.76 persons) was slightly larger than the U.S. Census average of 1.56 for Center City.

Across all Center City neighborhoods, household types, age and income groups, these residents value Center City as a place to live because it is convenient to shopping, dining, entertainment and work and because it is safe.

When asked why they moved to their current residence downtown, respondents ranked on a scale of 1 to 4 (1 = most important; 4 = least important) convenient amenities, safety, price and proximity to their place of employment as the key factors.

2007 Condo Owner Survey: Living in the Center of it All

The majority of results from this survey mirror the findings of the 2006 residential survey. Of new residents to Center City, 40% moved from outside the city. Seventy three percent of respondents worked in the downtown, while another 16% worked in University City; 50% walked to work and 28% took public transportation. Thirty five percent held jobs in the office sector, while 20% worked in education and health services; but given the significant number of "empty nesters" and long term residents among respondents, it was not surprising that 24% listed themselves as "retired."

When asked "What are the most important things that attracted you to your current home?" this group scored "sense of safety in the building" higher than convenience of shopping, dining and entertainment.

When asked to pick the changes that would most improve Center City as a place to live, *reduce the number of homeless sleeping or lying in public places* and *reduce the number of panhandlers* substantially outscored all other responses.

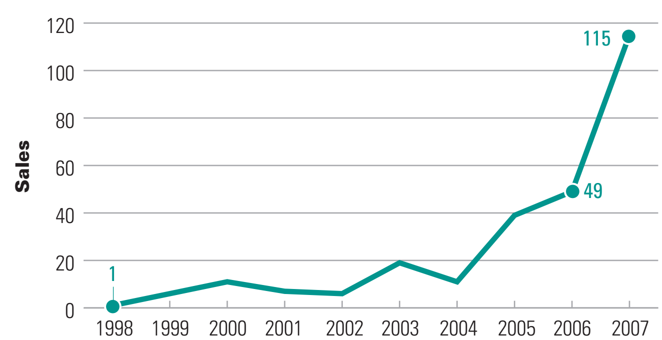
Please rank the following factors in your decision to move to this location

(1= extremely important, 4= not important)

Convenience to shopping/dining/entertainment	1.54
Neighborhood safety	1.61
Price of unit	1.71
Proximity to arts and cultural institutions	1.90
Proximity to place of employment	1.90
Building safety	1.92
Access to public transit	2.03
Access to parks and recreation	2.29
Diversity of neighborhood	2.42
Building amenities and services	2.45
Proximity to family and friends	2.46
Availability of convenient parking	2.50
Access to regional highways	2.54
Living in a historic building	3.07
Living in a newly constructed unit	3.20
Benefits from the 10-year tax abatement	3.31

CCD, 2008

Condominium Sales Priced Over $1 Million



Kevin C. Gillen, Ph.D., 2008

Property Manager Survey

In the summer of 2008, CCD conducted a survey of property managers in major condo buildings within the district's boundaries. Based on the responses, the highest proportion of residents (24.79%) are between ages 35–44, followed by those over age 64 (21.48%). The vast majority of residents are employed full time (73%), with just over 60% of residents married. Almost 75% of households have no children, while only 4% have children living with them.

2007 Healthy Living Survey

The profile of these individuals interviewed on the street mirrored that of respondents to earlier surveys. Forty seven percent indicated they walked to work, 43% indicated they took public transit, while a sizable number, 27%, also indicated they periodically rode their bikes.

When asked what it would take to get them to walk to work more, respondents, who were encouraged to give multiple responses, overwhelmingly said, improve the basics:

Improve the condition of sidewalks	70%
Enforce traffic and bicycle laws	65%
Increase the amount of pedestrian lighting	55%
Add more street trees	47%
Clearly mark pedestrian crosswalks	43%
More frequent bus service, so that you can walk part way and then catch a bus when it comes	43%

When asked what additional public improvements would cause them to exercise more, responses were again basic and straightforward:

Provide walking trails that are easy to go to	48%
Make sure bike lanes don't have potholes	47%
Have well marked bikes lanes on select streets	46%
More safe and secure bike racks	42%

In fact, only 19% of respondents indicated that they regularly exercised at a health club or gym in Center City. The majority prefer to use the city itself as their gym. Their top five methods of exercise were as follows:

Walking	58%
Bicycling	50%
Exercising at home	36%
Walking a dog	26%
Running/jogging	23%

Reshaping the Profile of Center City

The pattern that is clearly emerging is smaller, more affluent and childless (and increasingly retired) households are occupying new condominiums in the core of the traditional business district. Younger renters, students and recent graduates, are increasing demand for apartments. As younger professionals purchase homes, they are populating the more affordable townhouse neighborhoods that radiate from the downtown. As they have children, an increasing number are staying in the city. The number of births in Center City jumped by 7.8% between 2000 and 2005, an increase seven times larger than the rate in the rest of the city. In that time, a total of 11,372 children were born to Center City parents. While all residents want a clean, safe and walkable environment rich with amenities, the public improvement agenda has some significant variations as schools, playgrounds, bike trails and other recreational amenities for children become increasingly important in "expanded" Center City. As downtown workers continue to move to the more affordable neighborhoods at the outer edges of the eight ZIP code area, a new constituency is also emerging for improved public transit and bicycle connections into the business district and to University City.

Can This Be Sustained?

National news about foreclosures and falling housing prices continues to produce anxiety in the Philadelphia metropolitan area. But while many areas of the country have been experiencing significant housing stress, with foreclosures at historic highs in markets such as Detroit, Miami and Southern California, Philadelphia has done much better during this down cycle. The foreclosure rate in the Philadelphia region was only 0.49% in 2007, the lowest of the ten largest metropolitan areas; Detroit had the highest rate at 4.92%. Nationwide, 1.03% of all households were in foreclosure.

While no place is immune from challenges in a national economic downturn, detailed analysis of data provided by The Reinvestment Fund confirms that there have been only four residential foreclosure filings so far this year within the boundaries of the Center City District and just 72 (0.33%) among the 22,000 owner-occupied homes in the broader Center City housing market (see map on page 2). The problems that do exist are in the outer edges of the eight ZIP code area.

Part of what accounts for Center City's success are the demographic trends captured in the surveys above. Increasingly, well-educated workers are seeking a broad range of amenities and the ability to walk to work, dining and entertainment. Long-term increases in fuel prices have been altering the dynamic of housing markets as close-in walkable communities have weathered the recent storm much better than purely auto-dependent, edge areas. While gas prices have dipped in the last month, most experts believe they will not return to 2001 levels for the foreseeable future.

Multiple Listing Service data compiled by Nigel Richards of Coldwell Banker Preferred (see page 6), compare prices and the number of days on the market (DOM) in 2003, during the peak of housing production in Center City in 2006, and during the first six months of 2008.

While comparisons like this are clearly influenced by the specific product that is on the market at any given time, what the numbers suggest is that, while there has been a cooling in the market since the peak of 2006 with housing staying on the market an average of 8 days longer and prices of units sold in most neighborhoods ebbing somewhat, housing prices are still 39.2% higher than 2003 levels.

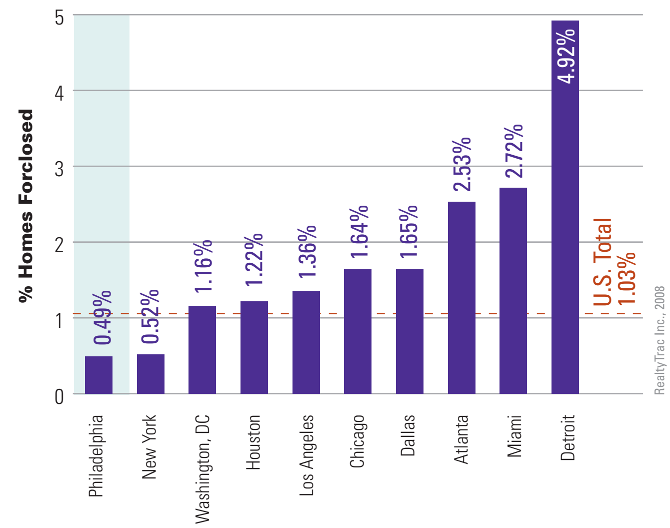
Conclusion: A Time of Opportunity

In the 1990s there were a series of studies suggesting that *fear of crime* was influenced as much (or more) by watching television news as by the actual incidence or experience of crime in one's immediate neighborhood. Something analogous may be at work with highly publicized stories about falling prices, foreclosures and financial institution failures. No city or region is immune from the national economy. Given the national and global reach of many financial institutions, failure in a distant region can affect the psychology and underwriting criteria of local lenders.

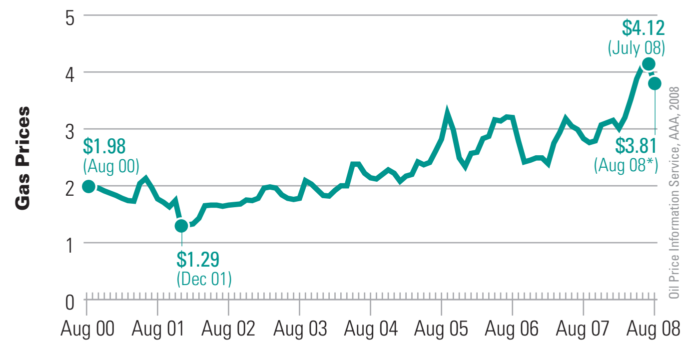
But a careful look at local market, demographic and cultural trends provides firm ground for confidence in downtown. Center City's housing market has long been oriented around office and University City employment and both areas have been adding jobs. The concentration of college and universities in and around the downtown provides a steady supply of renters, who have always been the primary source for first time buyers. The diversification of downtown with a broad range of amenities has attracted new sources of demand – empty nesters and retirees.

Between 2001 and 2008, auto fuel costs rose by 242%. Center City has what a growing segment of housing consumers want, what Christopher Leinberger has termed in *The Option of Urbanism*, the pleasures and convenience of *walkable urbanism*. It's been decades since market forces have tilted so strongly our way. It's time to capitalize on this historic opportunity and secure our future with strategic investments in transit and bike lanes, schools and playgrounds, retail and job growth.

Foreclosure Rate Among Ten Largest Metropolitan Areas, 2007



Average Monthly Price for Regular-Grade Gasoline*



** Pennsylvania counties of the Philadelphia metro area, inflation adjusted. August 2008 average includes prices through August 19th.*

Residential Sales, 2003, 2006, 2008

	Average Sale Price					Units Sold		Days on Market		
ZIP Code	**2003**	**2006**	**2008**	**% Change (2006–2008)**	**% Change (2003–2008)**	**2006**	**2008**	**2006**	**2008**	**% Change (2006–2008)**
19102	$432,416	$495,337	$426,345	-13.93%	-1.40%	43	64	112	118	5.36%
19103	$578,091	$664,825	$561,863	-15.49%	-2.81%	253	317	83	108	30.12%
19106	$361,177	$522,925	$569,947	8.99%	57.80%	219	251	88	97	10.23%
19107	$267,940	$385,567	$432,355	12.13%	61.36%	147	179	97	98	1.03%
19123	$194,855	$400,508	$391,332	-2.29%	100.83%	496	149	116	99	-14.66%
19130	$242,965	$359,436	$355,455	-1.11%	46.30%	530	401	83	75	-9.64%
19146	$165,782	$229,639	$252,297	9.87%	52.19%	750	693	63	81	28.57%
19147	$257,219	$381,172	$352,829	-7.44%	37.17%	633	491	74	95	28.38%
8 ZIP Code	**$275,080**	**$378,822**	**$383,014**	**1.11%**	**39.24%**	**3,071**	**2,545**	**83**	**91**	**9.64%**
All Phila	**$120,765**	**$180,517**	**$188,946**	**4.67%**	**56.46%**	**17,666**	**13,699**	**57**	**68**	**19.30%**

Trend MLS data by Nigel Richards, Coldwell Banker Preferred, 2008

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