OVERVIEW

A growing national preference for walkable, amenity rich, live work places has heightened demand for downtown housing. The national economic expansion, during which most cities added jobs faster than the national economy, augmented this trend. Philadelphia enjoyed 10 consecutive years of growth, adding 84,700 jobs since 2009. Almost half of the new jobs (46.1%) are located in Greater Center City, the 8.5 square miles between the two rivers and bounded by Girard Avenue and Tasker Street.

From 2011 to 2019, there were 16,645 new housing units completed in Greater Center City. Based on a 2010 census count of 162,855 residents and an average household size in Greater Center City of 1.84 individuals, Center City has added more than 31,000 residents since 2010 and now has an estimated population of 193,000.

The preference for cities, and Philadelphia’s improved competitiveness within the region, is apparent in the changing location of regional housing permits. In the 1990s, 3% of all regional residential permits were for projects in Philadelphia. In the decade of the 2000s, following the passage of the 10-year tax abatement, 10% of regional permits were issued in the city. Over the past decade, Philadelphia’s regional share jumped to 25%, with 55% of those housing starts located in Greater Center City, an area that represents just 10% of the city’s land area.

Philadelphia initially rebounded slowly from the 2007-2009 recession, adding jobs at the rate of 0.6% per year from 2009 to 2014. Then, from 2014 to 2019, job growth accelerated to 1.9% per year. While income data is only available through 2017, Greater Center City outpaced the city in wage growth: from 2009 to 2017, average wages citywide increased by 17%, from $49,472 to $57,725 per job, while wages for jobs located downtown increased during that time by 22% from $59,466 to $72,705.¹

Demographic trends are also favorable, as the millennial generation enters the workforce and many choose downtown as a place to begin their career. The population of young adults (ages 20 to 34) in Greater Center City increased by nearly 13,000 from 2011 to 2016, accounting for more than 60% of overall population growth.

The growing preference for downtown living, demographic change and Center City’s strong job market all contributed to the increase in downtown housing demand. The U.S. Census Bureau’s American Community Survey (ACS) estimates indicate that from 2011 to 2018, the total number of households in Greater Center City increased by 12% from 77,593 to 86,808. Because population growth in Center

¹ U.S. Census Bureau, County and ZIP Code Business Patterns.
City has skewed younger, households tend to be smaller, often just one person, meaning it takes fewer people to fill new units. Assuming a similar rate of growth in 2019, Greater Center City has added 10,500 new households since 2011 and was on pace to add an additional 3,000 households this year.

Growth in households with rising incomes is why housing prices and rents continued to increase in the core, even as the supply expanded. It is also why the circle of rehabilitation and new construction continued to radiate outward, providing more affordable alternatives, usually with good transit connectivity to Center City and University City.

In Greater Center City, population density has increased to 60 persons per acre, four times the density of surrounding suburbs. This fueled greater demand for retail services, not only in the core but also along reviving corridors in most of the extended neighborhoods. Large format and moderate sized grocery stores, once the exception downtown, now number 30 across Greater Center City.

The success downtown does not minimize the challenge experienced by 40% of city households that spend 30% or more of their income on housing, the seventh highest proportion of cost-burdened households among the 25 largest U.S. cities. The problem, however, does not result from high local housing costs. The median housing value in Philadelphia is $156,800, significantly more affordable than 18 of the 25 largest cities, well below San Francisco ($1,099,500), New York City ($1,099,500), Washington, D.C. ($568,400), Boston ($487,300), and Chicago ($246,500). Similarly, Philadelphia’s median rent of $1,007 places us 17th among the 25 largest cities and below San Francisco ($1,805), Boston ($1,539), Washington, D.C. ($1,487), New York City ($1,396), and Chicago ($1,077).

Philadelphia’s challenge comes from the very low incomes that are the byproduct of decades of job loss and the relatively slow pace of the city’s economic rebound since the recession. Unlike many peer cities that have now surpassed their 1970 job levels, Philadelphia still has 19% fewer jobs than 50 years ago. One consequence is that Philadelphia’s median household income in 2018 was $46,116, 23rd lowest among the top 25 cities.

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2: U.S. Census Bureau, American Community Survey, 2018 five-year estimates.
4: U.S. Census Bureau, American Community Survey, 2018 five-year estimates.
However, the growth in jobs, salaries, sales, business and construction activity in the last decade resulted in a 39% real increase in municipal tax revenues, from $2.95 billion in 2009 to $4.11 billion in 2019, enabling local government to fund an increase in education, social services, housing subsidies and many other municipal programs. Downtown is the locus for much of this growth. Greater Center City holds 42% of all jobs in Philadelphia, providing on average 25% of the employment for working residents from neighborhoods across the city.

Recent growth provides an opportunity for City government to creatively compensate for the reduction in federal funds for affordable housing and other services, but only if it can do so without dampening market activity, which is still largely limited to just 17% of the city’s total geography. Ultimately, broader and faster job growth and the addition of more family sustaining jobs is the best way to help all city residents to enjoy decent, safe and quality housing, while also ensuring continued growth in the tax base needed to finance public services.

WHAT WAS BUILT IN 2019:

In 2019, 2,142 new units were completed in Greater Center City, defined as the eight ZIP codes between Girard Avenue and Tasker Street, from river to river (Figure 1). Core Center City contained 714 of these units; another 1,428 are located in the extended neighborhoods. The new supply was comprised of 327 single-family units, 1,697 apartments and 118 condominiums. This was the seventh consecutive year that completions exceeded 1,500 units and apartments dominated the new supply (Figure 2).

While there were 668 fewer completions in 2019 than in 2018, this is not a sign of diminished demand, but rather the result of a widening of the area in which downtown-oriented, residential development is occurring.

More than 15 years ago, CCD defined the communities between Girard Avenue and Tasker Street, river to river, as “Greater Center City” based on their emerging live-work characteristics. While an average of 25% of the employed residents of citywide neighborhoods work downtown, between Girard and Tasker that number climbs to just over 40% with almost two-thirds commuting to work without a private automobile.

In the last three years, construction burst through those boundaries. In the three ZIP codes just north of Girard Avenue (19121, 19122 and 19125) 2,059 new residential units were completed in 2019, almost equaling the total number delivered within Greater Center City (Figure 3). In the two ZIP codes south of Tasker Street, 19145 and 19148, another 181 units were completed in 2019, so that the total in the adjacent neighborhoods exceeded the volume between Girard and Tasker. As of 2017, 31% of employed residents in the neighborhoods above Girard Avenue work within Greater Center City.

Together, the eight ZIP codes of Greater Center City, plus the five immediately adjacent ZIP codes, were the setting for 4,382 housing completions, 80% of the 5,490 housing units completed citywide in 2019 (Figure 4).

FIGURE 2: GREATER CENTER CITY HOUSING COMPLETIONS, 2000–2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Apartment</th>
<th>Condo</th>
<th>Single Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>116</td>
<td>35</td>
<td>118</td>
</tr>
<tr>
<td>2001</td>
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<td>35</td>
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<tr>
<td>2016</td>
<td>118</td>
<td>35</td>
<td>118</td>
</tr>
<tr>
<td>2017</td>
<td>1916</td>
<td>276</td>
<td>327</td>
</tr>
<tr>
<td>2018</td>
<td>2,277</td>
<td>488</td>
<td>353</td>
</tr>
<tr>
<td>2019</td>
<td>1,697</td>
<td>180</td>
<td>118</td>
</tr>
</tbody>
</table>

Source: City of Philadelphia Department of Licenses and Inspections
FIGURE 3: HOUSING COMPLETIONS BY AREA OF CENTER CITY

Unit Count:
- 5 or less
- 6-25
- 26-50
- Greater than 200

Source: City of Philadelphia Department of Licenses and Inspections
WHAT'S IN THE PIPELINE?

Based on the volume of permits issued in 2019 for work in progress, the market was still accelerating. There were 3,982 units under construction in Greater Center City and another 2,780 units in progress in the five ZIP codes adjacent to Greater Center City, representing almost 70% of all new units in production citywide (Figures 5, 6). Given the size of many of these projects, many may not deliver until 2021 or early 2022.

In the last two decades, most of the obvious infill sites in core Center City were redeveloped. Recent construction has generally been limited to high-rise development on what had been parking lots or parking garages. While there were only 82 building permits issued for core Center City in 2019, these projects will deliver more than 1,000 new multifamily units.

Construction activity in extended Center City was more dispersed with large volumes of single-family homes. However, there were also clear clusters of townhouse construction, as well as a significant number of moderate and large sized apartment buildings in the works (Figure 7).

Examples of the major new multifamily projects underway in core Center City include The Laurel, set to be the tallest residential building in Philadelphia, bringing 189 apartment units and 60 condominiums to the market by 2021. Dranoff Properties' ArtHaus will add 111 condominium units on South Broad Street. River Walk, on the Schuylkill riverfront north of JFK Boulevard, will include more than 700 residential units in two towers and a Giant supermarket. North of Vine Street, a large mixed-use residential tower at 1300 Fairmount Avenue broke ground in 2019. It will include an Aldi grocery store and space leased to Chesterbrook Academy Preschool.

70% of permits for housing units citywide have been issued in just 13 of Philadelphia’s 48 ZIP codes.
Delta Associates tracks large, new construction apartments, which they term Class A. They project 2,655 units will be delivered within the next three years. Since apartments in large projects enter the market by the hundreds and, absent substantial pre-leasing, tenants move in at the rate of 10 to 20 per month, some initial period of high vacancy will be inevitable in these new developments.

In the three ZIP codes north of Girard Avenue, there were 2,453 units under construction. The greatest concentration is in ZIP code 19122, home to Temple University’s main campus, and bounded by Front and Broad streets, Girard Avenue to Susquehanna Avenue. This area is well-served by three stops on the Market Frankford Line, two stops on the Broad Street Line and by a major regional rail stop for Temple University. The balance of units underway north of Girard Avenue split almost evenly, east and west, between ZIP codes 19121 and 19125.

**FIGURE 6: HOUSING UNITS IN PROGRESS BY AREA OF CENTER CITY, 2019**

<table>
<thead>
<tr>
<th>AREA (ZIP CODE BASED)</th>
<th>UNITS UNDER CONSTRUCTION</th>
<th>% OF UNITS UNDER CONSTRUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREATER CENTER CITY</td>
<td>3,982</td>
<td>41%</td>
</tr>
<tr>
<td>Core Center City</td>
<td>1,025</td>
<td>11%</td>
</tr>
<tr>
<td>Core West (19102, 19103)</td>
<td>820</td>
<td>8%</td>
</tr>
<tr>
<td>Core East (19106, 19107)</td>
<td>205</td>
<td>2%</td>
</tr>
<tr>
<td>Extended Center City</td>
<td>2,957</td>
<td>31%</td>
</tr>
<tr>
<td>Extended Northwest (19130)</td>
<td>530</td>
<td>5%</td>
</tr>
<tr>
<td>Extended Northeast (19123)</td>
<td>1,410</td>
<td>15%</td>
</tr>
<tr>
<td>Extended Southwest (19146)</td>
<td>783</td>
<td>8%</td>
</tr>
<tr>
<td>Extended Southeast (19147)</td>
<td>234</td>
<td>2%</td>
</tr>
<tr>
<td>ADJACENT ZIP CODES</td>
<td>2,780</td>
<td>29%</td>
</tr>
<tr>
<td>Adjacent North</td>
<td>2,453</td>
<td>25%</td>
</tr>
<tr>
<td>Adjacent Northwest (19121)</td>
<td>757</td>
<td>8%</td>
</tr>
<tr>
<td>Adjacent North (19122)</td>
<td>1,019</td>
<td>11%</td>
</tr>
<tr>
<td>Adjacent Northeast (19125)</td>
<td>677</td>
<td>7%</td>
</tr>
<tr>
<td>Adjacent South</td>
<td>327</td>
<td>3%</td>
</tr>
<tr>
<td>Adjacent Southwest (19145)</td>
<td>123</td>
<td>1%</td>
</tr>
<tr>
<td>Adjacent Southeast (19148)</td>
<td>204</td>
<td>2%</td>
</tr>
<tr>
<td>GREATER CENTER CITY AND ADJACENT ZIP CODES</td>
<td>6,762</td>
<td>70%</td>
</tr>
<tr>
<td>CITYWIDE TOTAL</td>
<td>9,690</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: City of Philadelphia Department of Licenses and Inspections

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FIGURE 7: HOUSING UNDER CONSTRUCTION BY AREA OF CENTER CITY

Unit Count:
- 5 or less
- 6-25
- 26-50
- Greater than 200
- 100-200
- Single Family
- Apartments
- Core Center City
- Extended Center City
- ZIP Code Boundary

Source: City of Philadelphia Department of Licenses and Inspections
HOUSING COSTS AND ABSORPTION: RENTAL MARKET TRENDS:

The strength of the Greater Center City housing market over the last decade was evident in increased market activity, rising rents and home prices. However, the recent surge in construction and significant increase in supply meant that in core Center City median rents in both new and existing apartments declined about 5% from their 2016 peak. At $1.92 per square foot, they remained stable throughout the last decade. Still, as expanding demand was accommodated by new supply in adjacent neighborhoods, rents in the extended neighborhoods of Center City rose by 15.4% since 2011 and by 30.7% in the five adjacent ZIP codes [Figure 8]. Nonetheless, on average the extended neighborhoods remain 26% less expensive than the core with the next ring of adjacent ZIP codes 40% more affordable.

The Zillow Rent Index data for rent per square foot by neighborhood clearly point to the impact of proximity to work and to the concentration of amenities in the core of downtown. Within core Center City, rents peaked at $2.24 per square foot in Rittenhouse Square adjacent to the downtown office district and University City. In extended Center City, median rents ranged from $1.72 per square foot in Graduate Hospital to $1.15 per square foot in Grays Ferry. North of Girard Avenue, median price came in at $1.33 per square foot in Fishtown and at $0.95 per square foot in Upper Kensington.

Focusing on just Class A new construction, as categorized by Delta Associates, rents are considerably higher. Delta’s 2019 survey calculated the average Center City Class A rent per square foot at $2.72, up 4.1% from 2018. They also reported the absorption of 1,475 recently constructed units in Center City in 2019, down slightly from the 1,527 units occupied in 2018. They calculate Center City’s overall Class A apartment vacancy rate in 2019 at 6.5%, well below the 11.9% vacancy rate in 2018. If buildings in the initial lease-up phase are excluded, the calculated vacancy rate falls to 5.1%.

As new supply came onto the market and demand increased, rents leveled off in core Center City but continued to rise in the extended and adjacent neighborhoods.

FIGURE 8: AVERAGE RENT PER SQUARE FOOT, 2010-2019

Source: Zillow Rent Index
Housing Costs and Absorption: For Sale Homes

Based on data assembled by the Multiple Listing Service (MLS), in 2019, there were 3,024 completed sales of both new and existing homes within Greater Center City, a 13% decline from 2018. At the same time average sale price increased 3% to $498,904, primarily driven by higher sale prices on the eastern side of core Center City and the southwest portion of extended Center City. Like rental units, proximity to downtown is a key variable in pricing: houses in the core sold for 45.9% more than houses in the extended neighborhoods [Figure 10].

The velocity at which houses sold also increased across Greater Center City as the time on the market declined in 2019 by 21% to 85 days, the lowest level of the past decade [Figure 11].

As with rentals, the geographic expansion of the market increased options for buyers and moderated cost. Prices in the five adjacent ZIP codes, north and south of Greater Center City, increased by 6% from 2018 to 2019 and more than doubled in the last decade, from $146,800 in 2010 to $297,300 in 2019.

Nonetheless, homes in these adjacent neighborhoods sold for less than half the cost of those in the core and at two-thirds the price of those in the extended neighborhoods. This highlights a significant topographical and affordability advantage that Philadelphia has over super-heated markets like New York, Boston, San Francisco, Seattle or Vancouver. Growth in our residential core is not constrained on all sides by rivers or bays and adjacent areas enjoy excellent transit connectivity to Center City and University City.

SEPTA reports that since 2001, there has been a 78% increase in boarding on the Market-Frankford Line stops in Fishtown and Kensington. In response, SEPTA increased the frequency of train service on this line, eliminating express A and B stop routes. They are also exploring how to lengthen the platforms on the underground stops on Market East to accommodate longer trains. The Broad Street Line and multiple bus routes also provide excellent connectivity from other adjacent areas. An Econsult Solutions analysis determined that close proximity to public transit lines increased residential property values by 17%.

Similar to Greater Center City, in the adjacent ZIP codes the average number of days that houses remained on the market after listing dropped by 26% from 2018 to 2019 to just 70 days, suggesting an even stronger demand for these neighborhoods than those in Greater Center City.

Overall, the average sale price in core Center City increased by 35% from 2010 to 2019 and by 47% in extended Center City. Taken together, the overall Greater Center City average residential sale price rose by 41%, from $353,700 to $498,900, from 2010 to 2019.

In the five adjacent ZIP codes, the average price rose by 103% [Figure 12].

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In order to control for variations in the size and quality of homes that sell, economists create house price indices that use regression models to isolate the effect of time on market values, holding all other characteristics equal.

INDEXED VALUE:
The average prices tracked by MLS are not quality controlled for specific home characteristics nor for home size, so they are not a precise measure of the market. A lower average sale price in one year does not necessarily mean that the market value of all homes, or even the “average” home, has declined. All it represents is that the average value of the homes that changed hands in that year was lower than the value of homes that changed hands in the previous year. Houses that sold in one year may have been larger, newer or with more amenities, like on-site parking or a large garden or roof deck than houses sold in prior years.  

Econsult Solutions calculates a Philadelphia Housing Index (PHI) for the city as a whole and for select neighborhoods. PHI controls for changes in the type of housing sold each year. Calculations for Greater Center City show an increase of 0.7% in 2019, and appreciation in 16 of the last 19 years (Figure 13).

7: In order to control for variations in the size and quality of homes that sell, economists create house price indices that use regression models to isolate the effect of time on market values, holding all other characteristics equal.
DRIVERS OF DEMAND: JOBS, AMENITIES AND DEMOGRAPHICS

More than half (53%) of all of Philadelphia’s jobs are located in Center City and University City, at the center of an improving transit system. Employment growth in these two nodes is a prime driver of housing demand. Ease of access to hundreds of restaurants, cafes, cultural organizations and events, health and wellness establishments and other urban amenities adds significant appeal to households of all ages.

Despite significant challenges for those with limited incomes, discussed below, affordability is a powerful lure. The median housing value in Philadelphia is $156,800, significantly less expensive than 18 of the 25 largest cities, well below San Francisco ($1,009,500), New York City ($570,500), Washington, D.C. ($568,400), Boston ($487,300), and Chicago ($246,500). Philadelphia’s median rent of $1,007 places us 17th among the 25 largest cities and below San Francisco ($1,805), Boston ($1,539), Washington, D.C. ($1,487), New York City ($1,396), and Chicago ($1,077).

Philadelphia’s colleges and universities have long played a special role in generating demand for downtown housing. Many students, faculty, administrators and medical staff choose to rent and purchase in proximity to these institutions. Most important, a growing percentage of the 28,000 annual recipients of bachelor’s and higher...
degrees from Philadelphia’s colleges and universities who secure their first position with a downtown or University City employer, choose to live in the city. Just as baby boomers shaped the first wave of stay-in-the-city, reinvestment in the 1970s, the current millennial generation, now larger than boomers, is a prime driver of downtown housing demand.

In core Center City, 20- to 34-year-olds account for 45% of the population. At the beginning of careers, they are a major source of apartment demand. Their dominance also explains why only 5% of the population is of school age (ages 5 to 19) and why the average household size is 1.62 persons compared to the regional average of 2.61.

The next largest cohort in core Center City, at 21%, are those ages 35 to 54. They are followed closely (19%) by boomers (ages 55 to 74) who have either aged in place or more recently returned downtown as empty-nesters.

While millennials are also a plurality in the extended neighborhoods, the 35 to 54 age group rises here to 25% and school age children increase to 15% of the total population. The homeownership rate also rises from 33% in the core to 48% in the extended neighborhoods [Figure 14].

### CAN THIS BE SUSTAINED?

According to the Department of Licenses and Inspections, there were 16,645 housing units completed in Greater Center City from 2011 to 2019. This data however, does not subtract existing units that might have been demolished to make way for construction. Nor does it show how many units may have been withdrawn from the market, or combined, as in the case of a multi-unit row house converting to a single family home, or a condominium owner joining adjacent units together.

Nonetheless, the new supply appears to be substantially more than the 10,531 new households estimated for the same period by ACS. Even assuming a “surplus” of 6,114 new units being delivered to the market, this is occurring in a Greater Center City with nearly 100,000 housing units. ACS does show the rental vacancy rate increasing from 5.7% in 2015 to 8% in 2018 for core Center City (from 1,292 to 1,915 vacant rental units) and rising from 5.9% to 7.5% for the same period in extended Center City (from 1,748 to 2,347 vacant units) [Figure 15].

These factors suggest some degree of oversupply in the rental housing market, experienced both in older units competing with newer product and in recently completed developments still in the lease-up phase. Still, the rental prices trends in Figure 8 do not suggest any dramatic problem with oversupply but do show the

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**FIGURE 14: POPULATION AND HOUSING CHARACTERISTICS OF CENTER CITY, PHILADELPHIA, AND REGION**

<table>
<thead>
<tr>
<th></th>
<th>CORE CENTER CITY</th>
<th>EXTENDED CENTER CITY</th>
<th>GREATER CENTER CITY</th>
<th>PHILADELPHIA</th>
<th>PHILADELPHIA METRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Density*</td>
<td>60</td>
<td>47</td>
<td>51</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Average Household Size</td>
<td>1.62</td>
<td>2.14</td>
<td>1.88</td>
<td>2.57</td>
<td>2.61</td>
</tr>
<tr>
<td>Percent of Households Owner Occupied</td>
<td>33%</td>
<td>48%</td>
<td>43%</td>
<td>53%</td>
<td>67%</td>
</tr>
<tr>
<td>Percent of Households with Children</td>
<td>6%</td>
<td>16%</td>
<td>12%</td>
<td>23%</td>
<td>27%</td>
</tr>
<tr>
<td>Percent Bachelor’s or More</td>
<td>78%</td>
<td>59%</td>
<td>65%</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>$81,464</td>
<td>$68,627</td>
<td>$75,713</td>
<td>$43,744</td>
<td>$69,465</td>
</tr>
<tr>
<td>Non-Auto Commuting Mode Share</td>
<td>71%</td>
<td>58%</td>
<td>62%</td>
<td>41%</td>
<td>19%</td>
</tr>
<tr>
<td>Percent No Vehicle Households</td>
<td>43%</td>
<td>31%</td>
<td>37%</td>
<td>30%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>AGE DISTRIBUTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent under 5</td>
<td>3%</td>
<td>6%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Percent 5-19</td>
<td>5%</td>
<td>9%</td>
<td>8%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Percent 20-34</td>
<td>45%</td>
<td>38%</td>
<td>40%</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>Percent 35-54</td>
<td>21%</td>
<td>25%</td>
<td>24%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Percent 55-64</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Percent 65 and over</td>
<td>18%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Population weighted people per acre  
Source: U.S. Census Bureau, American Community Survey, 2018 five-year estimates
moderating effect that new units are having on the price of existing supply.

On the ownership side, the increase in supply has been much more modest and both sales prices and the speed at which sales are occurring suggest no softening in this part of the market.

With more supply in the pipeline and with developers accelerating schedules in advance of the end of the 10-year abatement for new rental construction at the end of 2020, the largest variable is uncertainty about the national economy. Employment and wage growth stand behind housing demand. Figure 2 shows how housing production can slow dramatically in an economic downturn. The positive aspect of Philadelphia’s slow growth economy and our heavy reliance on education and health care employment is that the city is less susceptible to the highs and lows experienced by faster growth cities. In the last recession, Philadelphia shed jobs later, fell less far and rebounded faster than the national economy. As Econ-sult’s housing price index shows (Figure 13), Center City has only experienced three years of depreciation in the last three decades.

Schools have become far less of a constraint than two decades ago. Due to significant parental involvement and responsiveness by the School District, 70% of students in Greater Center City’s 12 elementary public schools now come from their immediate catchment areas. Progress has been so substantial that seven of those 12 elementary public schools are wrestling with problems of success in which neighborhood demand exceeds their school’s capacity. Greater Center City benefits too from the presence of 13 private and parochial schools. Several years ago, Germantown Friends located a nursery school adjacent to Independence Hall to serve as feeder for its main campus in the northwest. Nonetheless, the limited number of high quality middle and high schools can be a constraint on housing demand as younger households start families.

The third variable is demography. While there is no precipitous drop nationally in the age cohort who are now entering college and will begin to graduate after the middle of this decade, we are past the peak millennial bulge both nationally and regionally. From 2011 to 2016, the number of 20- to 34-year-olds in Greater Center City increased from 57,300 to 70,100, growing at an average of 2,559 per year and accounting for 62% of the overall population growth. From 2016 to 2018, however, there was a substantial slowing in the growth rate of new residents of this age to just 108 per year, based on annual estimates. Much of this change is accounted for by an actual decrease in the number of 20-24 year olds in Greater Center City from 15,307 in 2011 to 13,322 in 2016 to 11,065 in 2018. While many of those still in this category between 2011 and 2016 aged in place, or moved to other parts of Philadelphia or outside the city, they were not replaced one-for-one by new residents just entering their twenties.

Fewer 20-somethings means reduced apartment demand. This makes it all the more important for Philadelphia to achieve more robust growth with family sustaining jobs that pay annual salaries between $35,000 and $100,000. This would enable Philadelphia to retain an even larger share of college graduates and well-educated workers as they reach their mid-30s, form businesses, see salaries rise and begin to raise children.

A final variable affects not only housing markets, but also retail sales, leasing and Philadelphia’s burgeoning hospitality industry. This is the upsurge in quality of life challenges downtown and in many neighborhoods issuing from opioid addiction, increased homelessness, panhandling and the impact of modified, municipal enforcement practices relating to problematic public behavior and crime trends. Surveys show that concerns about these trends increase significantly among those over 35.

8: Center City District, “Growing More Family Sustaining Jobs in Philadelphia,” October 2019
THE AFFORDABILITY CHALLENGE:
In 2018, 42% of all Philadelphia households paid at least 30% of their income for housing (the threshold that defines “cost burdened”), seventh highest among the 25 largest U.S. cities (Figure 16). Among the city’s renters, 54% are housing cost-burdened, ranking third out of 25 cities. Among homeowners, 30% are cost burdened, placing Philadelphia again seventh highest among the 25 largest cities (Figure 17).

These rankings result less from the high cost of housing in Philadelphia and more from the low incomes of too many residents. The city’s median household income in 2018 was $43,744. Among the 25 largest cities, only Detroit has a lower median household income (Figure 18). Among Philadelphia households, 23% have income of $20,000 or less; only Detroit among the top 25 cities has a higher percentage of households in this category.

These statistics are a reminder about how limited the areas of residential reinvestment actually are within Philadelphia, amounting to about 17% of the geography of the city (Figure 19). In many other neighborhoods, population and housing values continue to decline.

The traditional response to the affordability challenge has been the provision of publicly owned or publicly assisted affordable housing, funded from higher levels of government. Currently, Philadelphia has 33,055 units of subsidized housing and while that number represents an increase of 769 units from 2018, it is hardly enough to meet the demand (Figure 20).

In the absence of more federal funds to sustain existing and underwrite new subsidized housing, initiatives are underway in cities across the country to fund locally an increase in affordable supply.

FIGURE 16: PERCENT OF COST-BURDENED HOUSEHOLDS, HOMEOWNERS AND RENTERS, 2018

FIGURE 17: PHILADELPHIA HOUSING COST BURDENS BY INCOME CATEGORY, 2018
FIGURE 18: MEDIAN HOUSEHOLD INCOME, 2018

San Francisco $104,552
San Jose $104,234
Seattle $85,562
Washington, D.C. $82,604
San Diego $75,456
Austin $67,462
Boston $65,883
Portland $65,740
Denver $63,793
Charlotte $60,886
New York City $60,762
Fort Worth $59,255
Los Angeles $58,385
Nashville $55,873
Chicago $55,198
Phoenix $54,765
Jacksonville $52,576
Columbus $51,612
Houston $51,140
San Antonio $50,980
Dallas $50,100
Indianapolis $46,442
El Paso $45,656
Philadelphia $43,744
Detroit $29,481

Source: U.S. Census Bureau, American Community Survey, 2018 five-year estimates

FIGURE 19: HOUSING COMPLETED OR UNDER CONSTRUCTION CITYWIDE

FIGURE 20: HOUSING WITH ACTIVE SUBSIDIES CITYWIDE

33,055 Units Subsidized Affordable Housing Units

Source: City of Philadelphia Department of Licenses and Inspections
Source: National Housing Preservation Database
In some places, this takes the form of mandatory requirements on market-rate developers to either fund affordable housing or include affordable units in their projects.

Philadelphia has opted for voluntary “inclusionary zoning,” giving developers an ability to construct larger buildings in exchange for payments to a Housing Trust Fund. The City has also allocated increased resources from the General Fund for affordable housing.

These efforts are critical to the well-being of residents across the city, but should be viewed through the lens of Philadelphia’s limited capacity to fund services from a still diminished tax base. A mapping of income by census tract (Figure 21) puts in perspective how limited is the scale of higher-income residential reinvestment in Greater Center City in the context of the city and region. Philadelphia simply needs more growth if it wants to have more capacity to fund more redistributive efforts locally.

Philadelphia needs to fashion local ways to increase resources devoted to affordability without dampening, recently resurgent market activity. While Greater Center City’s residential market has been vibrant, it has remained a geographically limited revival over the last three decades. Many of the constraints visible on the horizon, are in our power locally to address.

Prompting more robust, broad-based, family-sustaining job growth must remain job #1 when the economy recovers. Only growth provides the foundation to support other social goals. More job opportunities with rising incomes also remains the most effective path to ensure that all city residents can enjoy decent, safe and quality housing.

The areas of the city containing significant clusters of households with incomes over $75,000 are geographically quite limited. Regional wealth is still concentrated overwhelmingly in the suburbs.