

CAPITOL REPORT
**A NEW BUDGET,
BUT NOT A SOLUTION**

Page 25

FROM HARRISBURG
**HOW TOURISM BENEFITS
THE STATE ECONOMY**

Page 26

WORKPLACE POLICY
**WILL REGULATIONS
SLOW HOSPITALITY?**

Page 28

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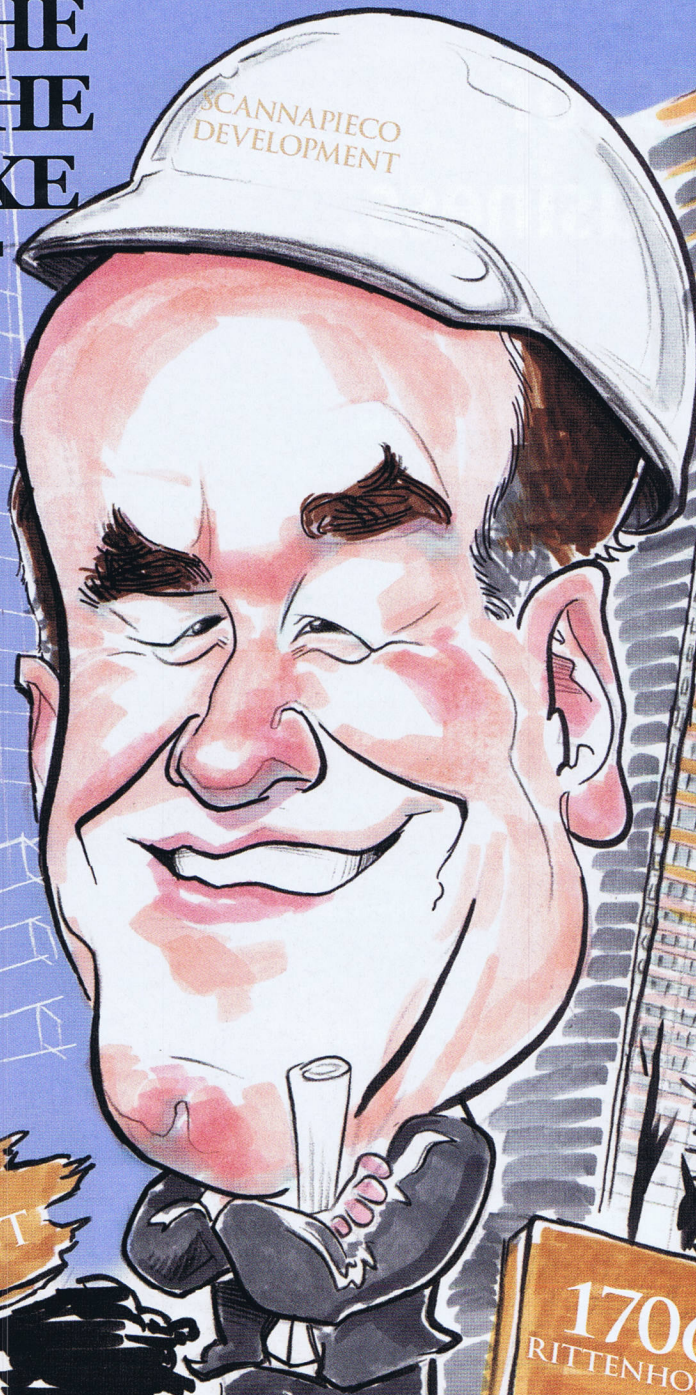
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BEATING THE ODDS ON THE ULTRA-LUXE MARKET



FUTURE SITE OF
500 WALNUT

1706
RITTENHOUSE

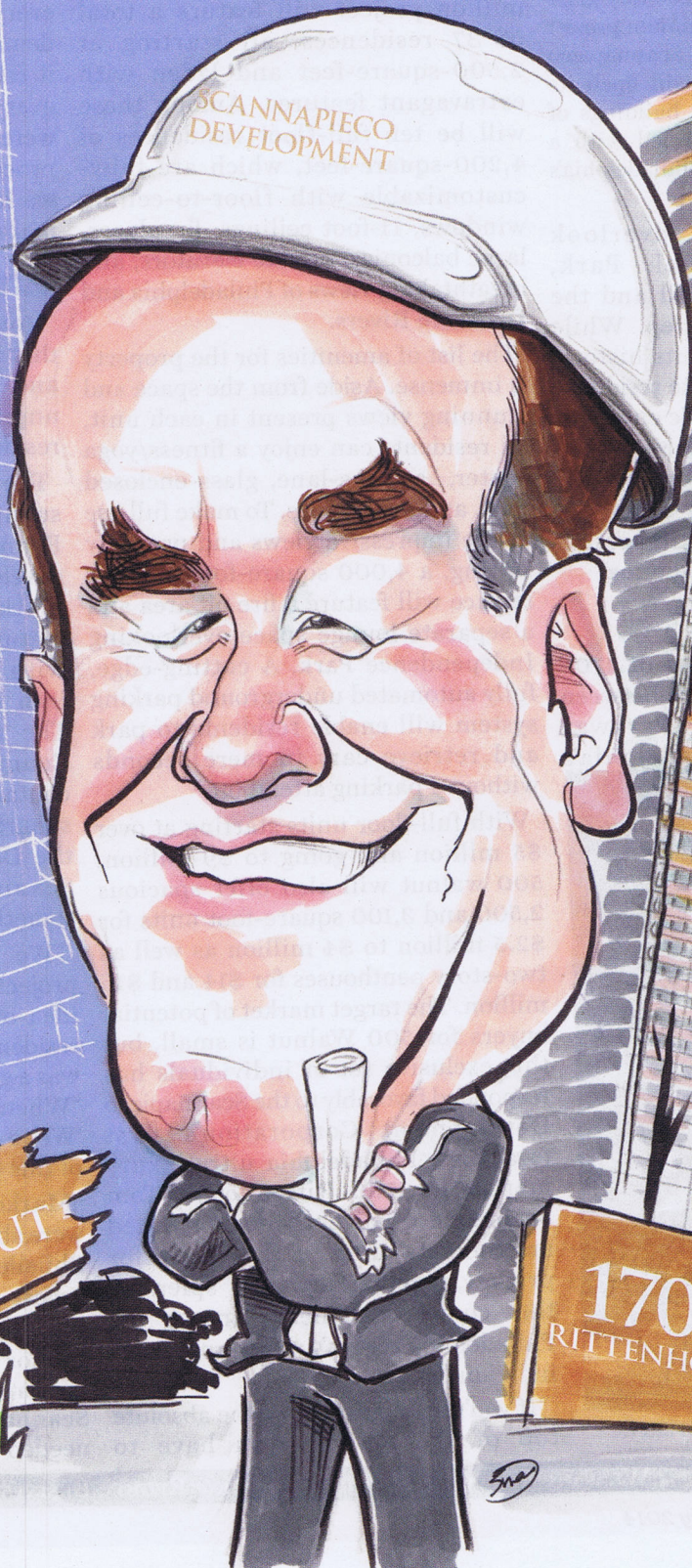
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BEATING THE ODDS ON LUXURY CONDOS

Identifying a new, high-end real estate market has paid dividends for this local developer.

By Brandyn Campbell



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Historic Philadelphia will welcome a dramatic addition to its cobblestone streets and lush, tree-lined spaces come 2017. That's when 500 Walnut - a 26-story glass "needle" ultra-luxury condominium project that is the latest from the Scannapieco Development Corporation, will open its doors. The most significant buildings of America's past will be married with a towering representation of Philadelphia's present and future.

The condos will overlook Independence National Park, putting Independence Hall and the Liberty Bell at its doorstep. While drastically different from its historic surroundings, the ultra-luxe residence will complement its historic environs. Designed by architect Cecil Baker, the concept of Old City's forthcoming building was careful to honor its location among the most important and cherished edifices in America.

STARTING STRONG

After the rousing success of 1706 Rittenhouse, a joint venture between Scannapieco and the Parkway Corporation and Philadelphia's



1706 RITTENHOUSE SQUARE PROPERTY.

introduction to the ultra-luxury market, Scannapieco is raising the bar with 500 Walnut. The \$150 million project will feature a total of 37 residences, all starting at 2,500-square-feet and laden with extravagant features. Among these will be ten full-floor residences of 4,200-square-feet, which are fully-customizable with floor-to-ceiling windows, 11-foot ceilings, fireplaces, large balconies, private elevators, and breathtaking views of Philadelphia and Delaware Rivers.

The list of amenities for the property is immense. Aside from the space and stunning views present in each unit, all residents can enjoy a fitness/yoga center, a three-lane, glass-enclosed pool, and many more. To make full use of the impressive views and property setting, a 4,000 square-foot outdoor terrace will feature a fire pit area and a separate lounge space overlooking Independence Park. A cutting-edge, fully automated underground parking system will enable residents to park and retrieve cars in mere seconds without a parking attendant.

With full-floor units starting at over \$5 million and going to \$9 million, 500 Walnut will also offer spacious 2,500 and 3,100 square-foot units for \$2.5 million to \$4 million as well as two-story penthouses for \$14 and \$16 million. The target market of potential buyers for 500 Walnut is small, but this exclusive set of individuals has responded favorably to the Scannapieco Development Corporation's first foray into Philadelphia ultra-luxury market in 1706 Rittenhouse. Tom Scannapieco has aptly demonstrated an understanding of the desire for privacy, exclusivity and splendor that comes with being among the Philadelphia region's most prosperous individuals.

"If you're going to target the absolute top of the market, you have to

understand that you're dealing with: people who have had many homes and are very knowledgeable about every aspect of a house and are very demanding," Scannapieco said. "What it required was that we had to study every detail and make sure that we were maximizing every decision in the process in order to be confident that we had the right solution and had a marketable project."

OUTSIDE PERSPECTIVE

How did Scannapieco know that this market existed in Philadelphia, and that it was willing to pay unprecedented amounts of money to reside in the heart of the city?

The answer began in the charming suburban community of New Hope, Pennsylvania. There, Scannapieco developed a property called Waterview on the banks of the Delaware River featuring a single-level flat concept, with upper-level floors combined into large, extravagant penthouses. The project set records in Bucks County for price per square foot and contains some of the most expensive suburban condominium properties in the Delaware Valley. It also showed Scannapieco that he was on to something.

"We had such success with that project that it was clear to us that the idea of providing large, single-floor residences at the very top of the market was a great concept," Scannapieco said. "When we saw that success we said, 'We've got to find a way to do a project of this type in Philadelphia.'"

Market research found that there were about 2,000 people in the Greater Philadelphia area with a net worth in excess of \$10 million, meaning they could afford to live in the ultra-luxury condos Scannapieco envisioned. There appeared to be a market for what Scannapieco wanted to offer; he just needed to speak to it.

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ROAD BLOCKS

What Scannapieco didn't anticipate was a catastrophic meltdown of the American economy, which coincided with the groundbreaking of his first ultra-luxury project in the City.

"As it turned out, when we topped out our building [1706 Rittenhouse], it was in September 2008," Scannapieco recalled. "The very week of our topping out ceremony was the same week that Bear Stearns and Lehman Bros went out of business. We said to ourselves, 'Oh my God, what is going to happen now?'"

Scannapieco knew that the market for ultra-luxury condominiums in Philadelphia was still out there; he just didn't know if it would be committed to buying from his bold new project in the midst of the worst economic downturn the country had seen in decades.

However, 1706 Rittenhouse set a host of records in the Philadelphia real estate market and set the standard for ultra-high-end properties in the City. The 31-story, 31-condo tower opened its doors in May 2010 and was sold out by September 2013. In the process, 1706 became home to the single most expensive residence in Philadelphia - the building's only two-story penthouse sold for \$12.5 million. Real estate sales struggled in the City, as in the rest of the country in 2011, but that was not the case for Scannapieco's ultra-luxury residence. He believes that the features present at 1706, and soon to be seen at 500 Walnut, set his buildings apart from others on the market.

"Clearly our price point was much different than anything Philadelphia had previously seen," said Scannapieco. "We were getting price premiums of 40% above other projects. Our challenge was to have an ultra-luxury buyer recognize the value that we're providing." Scannapieco continued, "It had to be clear enough to them that there was a huge difference between

our product and [the alternatives]. We studied every detail, and we differentiated ourselves so well that we were able to sell out quickly." Features for which Scannapieco's properties are now known, such as customizable full-floor units, floor-to-ceiling windows, high ceilings, and outdoor space were highlighted as some of the features that successfully spoke to his target market.

PUSHING AHEAD

After the success of the Rittenhouse residence, Scannapieco believes that a market exists for his latest project. He plans for 500 Walnut to pick up where 1706 Rittenhouse left off.

"Because we're the only developer in Philadelphia in the ultra-luxe category, we felt that we were on to something that other people weren't prepared to deliver," Scannapieco said. "We sold out our last three units at 1706 Rittenhouse all in the month of September 2013. The next month we had two more people on a waiting list. It was very clear to us that the market was there for another building."

That market will see a return of the features that made 1706 such a success, along with a few enhancements resulting from insights revealed from the previous property's buyers. Due to the popularity of the 11-foot ceilings in select units at 1706 Rittenhouse, for example, every full-floor residence at 500 Walnut will feature 11-foot ceilings. Buyers also revealed how much they valued a large, outdoor space. Learning from that experience, each of the full floor residences at 500 Walnut will have terraces that are 367-square-feet or larger.

These enhancements demonstrate that Scannapieco understands what this exclusive market wants. "It's those kinds of decisions that are enabling us to raise the bar," Scannapieco said. "This next project is going to be absolutely spectacular."



A RENDERING OF 500 WALNUT STREET.

Taking on a second ultra-luxury project in less than a decade in a City that previously had no representation of that market is bold. Many City residents would balk at the notion of \$4 million condos. But so much has changed in the City in that time. Several indicators point to a strengthened economy in the Philadelphia. The population is growing for the first time in decades, with new residents eager to be near all of the food, culture and entertainment the City has to offer. The success of 1706 Rittenhouse demonstrates that that market exists, is thriving and is eager to buy more.

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Scannapieco sees the development of ultra-luxury properties in the City as a positive for all, bringing in voices and viewpoints that had little presence previously. The fact that Philadelphia has been targeted a second time for a residence for the elite is another in a series of tales about the City's recent economic development success. Some of the area's leading entrepreneurs and corporate leaders have lived in the City's surrounding communities for many years. Now, with Center City's renaissance and new possibilities for large, upscale and private residences, the time is right for some to finally call it home.

"Two-thirds of our purchasers are moving into the City for the first time," said Scannapieco. "It's very meaningful

for a City to get people with that kind of discretion and those kinds of options. They can live anywhere and buy anything they want." He continued, "To be able to attract them into the City where they're active on boards and they become more interested and committed to the urban issues in Philadelphia, it's great for the City."

TAPPING A NEW MARKET

The events that transpired to create the incredible success of 1706 Rittenhouse all pointed to a clear reality for Scannapieco. He built it and they came - one time. It was time to do it again. What will potential buyers find in 500 Walnut that differentiates it from 1706 Rittenhouse? The location, for one, is one of its most riveting

features.

"It has the views that our other building didn't," said Scannapieco. "You're looking at Independence Hall, which is such a significant and symbolic American building." The enthusiasm in Scannapieco's voice reveals how truly excited he is about the site of his latest project. "That view of space in the park, a long view right up the spine of Independence Mall with three blocks of grass and trees in front of you ..." he continued. "Within a block of this building are the most historic buildings in America. It was really a once-in-a-lifetime opportunity to be able to get this site."

The groundbreaking for 500 Walnut won't occur until March 2015, but pre-sales for the property are, according to the developer, "beyond expectation," at over \$45 million to date, even though marketing for the residence has not yet begun. Scannapieco said, "I'm attributing that to the fact that we're now a known entity and people know our company and our product. As a result, even though we haven't started our marketing yet - we've hardly done anything - people are finding us."

When Scannapieco set out to address a new ultra-luxury market niche that didn't exist prior to 1706 Rittenhouse, he took a risk and, against all odds, came out with astounding success. The fact that Philadelphia is now the home to the most exclusive shoppers in the real estate market is part of a string of indicators that show that Philadelphia continues to establish itself on strong economic footing. With the pairing of old and new Philadelphia set to occur when construction of 500 Walnut begins, an intriguing and complicated tale of the City's birth, decay and rebirth will continue to unfold.

Brandyn Campbell is a freelance writer covering the topics of business and sports. She is based in Philadelphia.



LUXURIOUS AMENITIES HELP ATTRACT THE ULTRA-LUXURY REAL ESTATE BUYER.

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