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North America property

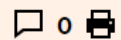
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Philadelphia's condo boom lures hipsters and baby-boomers

Prices in some neighbourhoods are up more than 50 per cent since 2014



Kevin Brass MARCH 23, 2018



Fans of the movie *Rocky* may not recognise Rocky Balboa's old neighbourhood. The famously rundown streets of north [Philadelphia](#) are home to several new upscale restaurants and expensive condos and town houses.

"Hipsters are moving in," says Kevin Gillen, an economist with Drexel University's Lindy Institute. But millennials aren't alone. [Baby boomers](#) — who are old enough to have seen *Rocky* in theatres — are joining younger people in moving to the city, sending home prices to new heights. Prices in some neighbourhoods are up more than 50 per cent since 2014, according to Zillow, the property website.

Last year 146 condos in the city sold for more than \$1m, the type of sales activity that is common in New York and Boston, but unprecedented in Philadelphia. The median price for a condo in downtown Philadelphia in 2017 was about \$315,000, compared with close to \$1.2m in New York.

The bulk of the \$1m-plus sales have been in new condo towers in the downtown area known as Center City, targeting the type of high-end buyers that typically preferred an estate in the suburbs. In 2016, an 8,900 sq ft, two-storey penthouse in 500 Walnut, a new 26-storey condo project, sold for \$17.85m, a record for the city.

“Two-thirds of the buyers [in 500 Walnut] are moving into the city for the first time,” says Tom Scannapieco, chief executive of the development company that finished the project in October. Prices in 500 Walnut start at about \$3m, which includes a fully automated robotic garage (the machine moves the car to a parking space), an indoor lap pool, a dog wash and a 4,000 sq ft shared terrace overlooking Independence Hall. Buyers can also design the layout of their apartment, including the location of bathrooms and the kitchen. Service fees are \$1.05 per foot per month.



Philadelphia went through a spurt of condo development before the 2008 crash, but it has largely avoided the high-end condo tower neighbourhoods that have sprouted in cities around the world. Construction costs and high land prices made condos a risky proposition, Gillen says. Lenders were wary of financing condo projects after the crash, when prices plummeted. “We have New York construction costs and Baltimore [home] prices,” Gillen says.

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Instead of condos, developers have focused on rental apartments catering to the students and young families moving downtown for the city’s universities, medical institutions and corporate headquarters. [Millennials](#), who can’t always afford to buy, make up 40 per cent of the Center City area’s population, according to a recent report from the Center City District, a local marketing association.

Of the record 2,506 residential units completed in the downtown area in 2016, 73 per cent were apartments for rental, the Center City District says. But there has been a surge in upscale condo development in recent years, fuelled by baby boomers moving in from the suburbs. Last May local builder Dranoff Properties completed One Riverside, a 22-storey condominium development on the Schuylkill River. Fifty-nine of the 68 units in One Riverside have sold since sales began in 2015, Dranoff says. Prices range from \$715,000 to \$7m for units, which average 2,500 sq ft with balconies and floor-to-ceiling windows.

“Larger units are much more in demand,” developer Carl Dranoff says. Most of the buyers in One Riverside are over 40, moving to the city after selling their large homes, he says. Baby boomers are an “enormous, untapped market” in Philadelphia, he says. Prices for condos in Center City are up 26 per cent since 2012, largely due to the completion of One Riverside and 500 Walnut. The average condo price increased 8.1 per cent in 2017 from a year earlier, the largest year-over-year gain since 2006, Gillen says. However, demand is still limited for condos, agents says. Philadelphia’s traditional row houses are more popular with high-end buyers and restoration fans. “Town houses are the biggest draw” in the Center City area, especially if they include a garden and a big garage, says Blakely Minton, an agent with Redfin, an estate agency. Her firm is listing a restored three-storey colonial townhouse with a garden for \$795,000. “Condos tend to stay on the market longer,” Minton says. “There are a lot more condos in the city than town homes.”

Philadelphia doesn’t attract international buyers like New York or Washington DC, says Allan Domb, of Allan Domb Real Estate. And there are few speculators or investors in the market, compared with other northeastern cities; Center City homes are primarily owner-occupied, he says. “It makes for a better and more stable market in the long run,” Domb says.

Buyer's guide

- The Philadelphia area is home to many large corporations, including Comcast, Sunoco, Dupont, and Campbell Soup
- Local and state transfer taxes total about 4 per cent of the purchase price
- Buyers of new property are eligible for an abatement on property tax (on building value but not land value) for 10 years
- Parking spaces sell for \$50,000

What you can buy for . . .

\$500,000 A two-bedroom, 1,200 sq ft apartment

\$1m A renovated two-bedroom apartment in a 19th-century building

\$3m A new, five-bedroom, 5,880-square-foot condo with two-car garage

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