CENTER CITY REPORTS:

SUSTAINING DEMAND FOR DOWNTOWN HOUSING

FEBRUARY 2016

CENTER CITY DISTRICT &
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

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Daniel Cox

Greater Center City is among the fastest growing residential sections of Philadelphia. For the third year in a row, more than 1,500 housing units were brought to market in 2015, 64% of which were rental, with 61% of those located in the core of downtown. Thirty-six percent were for-sale houses, 98% of which were constructed in the extended neighborhoods that surround the commercial downtown.[1]

Through the end of 2015, demand kept pace with supply, as the volume of completions slowed somewhat. The 1,538 units completed in 2015 were 22% fewer than the 1,983 units completed in 2014 and 26% off the record pace of 2,091 in 2013, when Philadelphia surged out of recession. Delta Associates, which tracks larger and newer buildings (constructed after 1991), found that year-end-2015 citywide rents had increased by 3.1% over 2014, while vacancy dropped from 5.7% last year to just 2.8% at the end of 2015.[2] RentHub, which scans on-line rental listings, found rising rents in nearly every neighborhood between Girard Avenue and Tasker Street, river to river (Greater Center City — see map on page 2). CCD/CPDC's tabulation of multiple-listing service records for homes sold through brokers shows prices rising everywhere in Center City with the number of days houses remained on the market declining for the third year in a row.

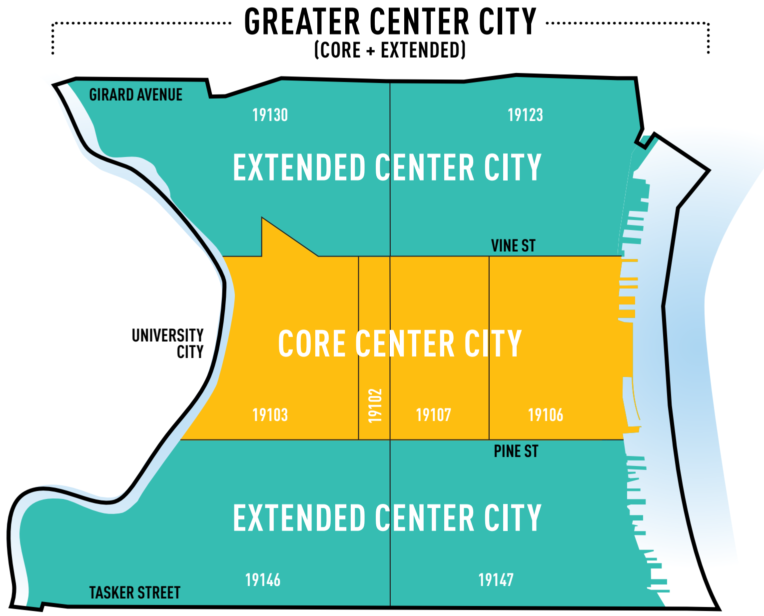
But with 5,833 units (78% of which are rental) now under construction and many more proposed, continued market equilibrium depends greatly on the timing in which these new units are delivered during the next three years, the duration of the current national economic expansion, and Philadelphia's ability to generate more dynamic job growth and retain a greater share of young professionals as their children reach school age.

Macro-economic, cultural and demographic factors are favoring Philadelphia, as national preferences for live-work, transit-oriented settings have benefitted all vibrant city centers. More empty-nesters are drawn to urban living, and the demographic bulge of millennials has heightened the long-term tendency for recent college graduates to remain in central cities. More than 400 arts and cultural institutions, more than 400 fine-dining restaurants, and more than 400 outdoor cafés attract rising volumes of pedestrians, creating a vibrant daytime and evening economy. But within five years, the millennial surge begins to ebb. To sustain success, Philadelphia will have to grow more jobs for everyone, retain a greater share of college graduates who come here from other regions, and keep more families in the city with well-funded, affordable, quality schools.

1: CCD/CPDC tracks print and online accounts of all residential construction projects in Greater Center City, as well as the issuance of new construction building permits. The status of each project is then verified by on-site surveying for smaller projects in all downtown neighborhoods and confirmation from developers for larger projects.

2: *Philadelphia Class A Apartment Report 2015 Q4*, Delta Associates, January 2016.

While the majority of high-rise developments in Center City are rental, condominium construction has resumed as well. Peter Tobia



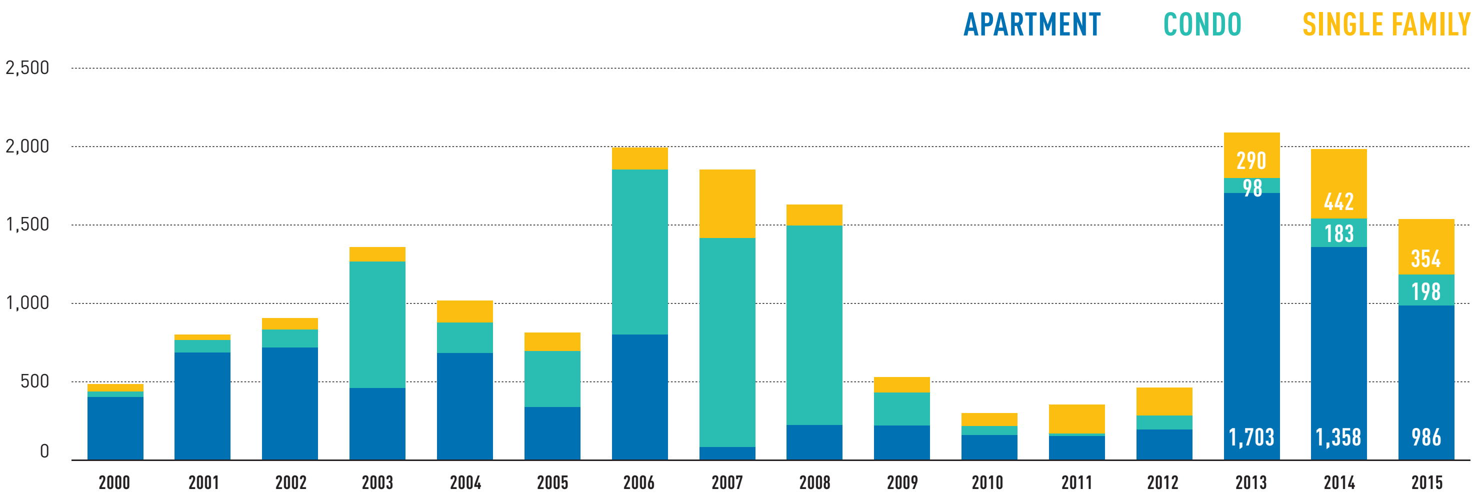
Defining the Residential Downtown: The overwhelming majority of Center City's 300,000 jobs are concentrated in four Zip codes located between Vine and Pine Streets, the region's largest business center. The definition of residential Center City used in this report is based on the growing national preference for live-work environments and includes the core commercial area, now intermixed with housing, and the surrounding neighborhoods, termed Extended Center City (Core + Extended = Greater Center City). Outside Greater Center City an average of 23% of working residents commute to jobs downtown. But within Greater Center City, an average of 40% of employed residents work downtown; another 12% commute to University City.

GROWING MOMENTUM FOR URBAN LIVING

For more than three decades, Center City's residential downtown has steadily grown. The passage of the 1997 tax abatement for conversions, followed by the 2000 abatement legislation for any and all new construction, provided a major boost and significantly accelerated developers' ability to capture the growing preference for urban living. Row-house renovation and small-scale, townhouse construction had been the norm. But in the last 15 years, warehouses, factories and older office buildings have been converted to housing; parking lots and low-density buildings have been replaced by high-rise new construction; and the amount of in-fill residential has dramatically increased. The scale of these projects has enabled developers to support substantial marketing budgets, amplifying the visibility of construction cranes with newspaper, magazine, on-line and direct-mail advertising. Media coverage enhances the buzz. In the 1960s, row-house residents were often challenged by former neighbors who had decamped to the suburbs: "Are you still living in that old neighborhood?" Today, empty-nesters are more likely to be asked: "Haven't you moved downtown yet?"

While today's market is dominated by rental construction, the wave of condominium construction between 2000 and 2008 enhanced demand for downtown real estate and pushed housing prices up significantly in the core. Younger and moderate-income households have sought more affordable ownership opportunities in the extended neighborhoods, well-served by transit and bike lanes, and where prices in 2015 were, on average, 38% less-expensive than the core. Unlike superheated settings such as Manhattan or San Francisco, islands or peninsulas constrained by water, Philadelphia's expanse of row-house neighborhoods north and south of Center City continues to offer ample supply of affordable housing, moderating price escalation. Despite a few highly publicized hot-spots, there is still a lot of room in a city that was built for 2.1 million people.

FIGURE 1: GREATER CENTER CITY HOUSING COMPLETIONS, 2000–2015



YOUNGER AND MODERATE-INCOME HOUSEHOLDS SEEKING DOWNTOWN OWNERSHIP OPPORTUNITIES HAVE MOVED OUTWARD TO THE EXTENDED NEIGHBORHOODS.

FIGURE 2: COMPLETED UNITS BY AREA, 2015

AREA	APARTMENT	CONDO	SINGLE FAMILY	TOTAL
CORE CENTER CITY	604	9	1	614
West of Broad	440	3	1	444
East of Broad	164	6	0	170
EXTENDED CENTER CITY	382	189	353	924
Extended Center City, North	274	68	144	486
West of Broad	138	36	25	199
East of Broad	136	32	119	287
Extended Center City, South	108	121	209	438
West of Broad	79	66	129	274
East of Broad	29	55	80	164
GREATER CENTER CITY	986	198	354	1,538

FIGURE 3: COMPLETED RESIDENTIAL DEVELOPMENTS, 2015

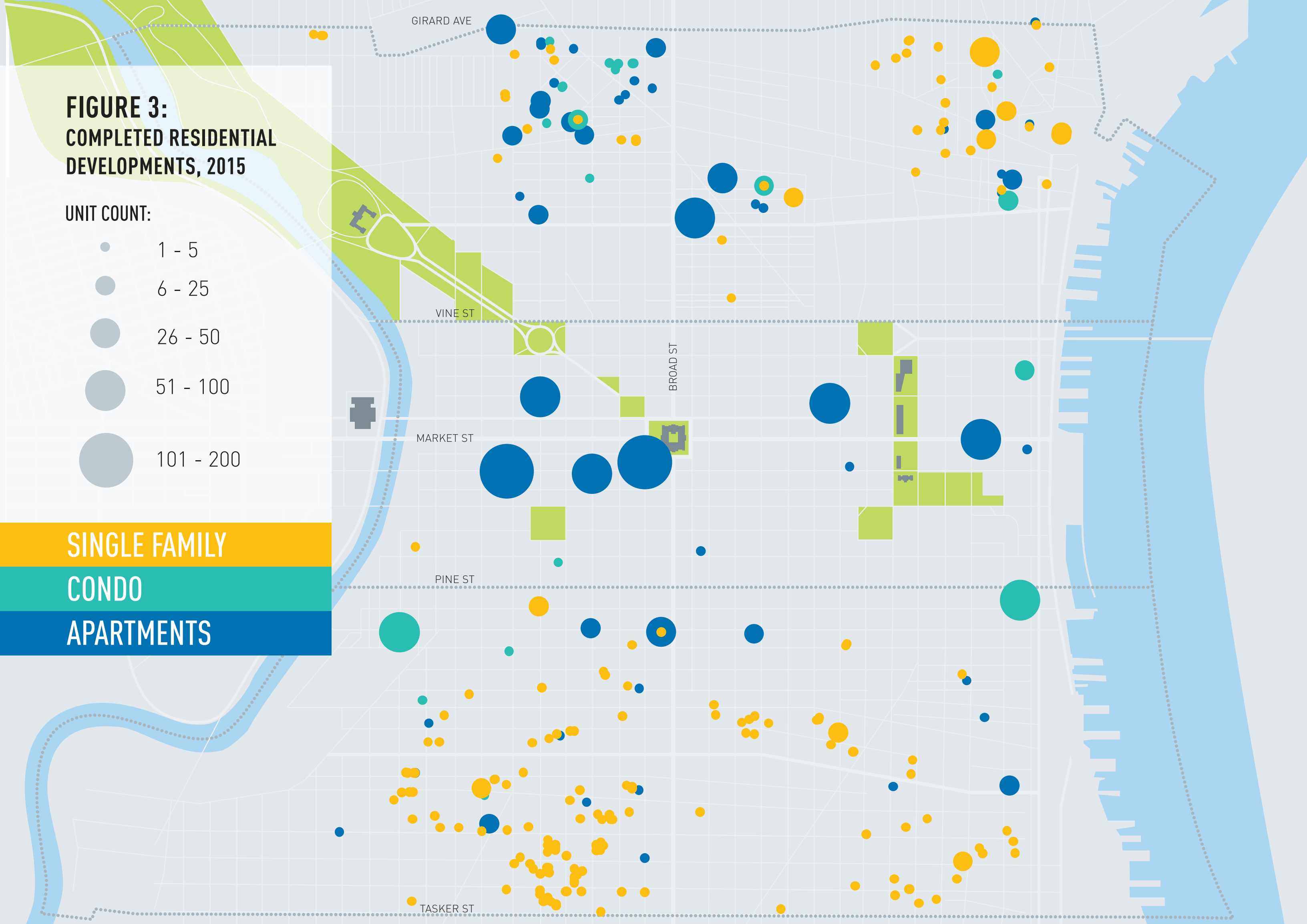


FIGURE 4: COMPLETED RESIDENTIAL DEVELOPMENTS, 2015; 25 OR MORE UNITS

NAME	AREA	ADDRESS	TYPE	TOTAL
Avenir	Core	42 S 15th St	Apartment	180
AQ Rittenhouse	Core	2021-23 Chestnut St	Apartment	110
1700 Chestnut Street	Core	1700 Chestnut St	Apartment	95
Francis House of Peace	Core	810 Arch St	Apartment	94
Shirt Corner	Core	247-59 Market St	Apartment	59
2400 South (Phase II)	Extended South	2400 South St	Condo	59
Mural Arts Lofts	Extended North	1301 Spring Garden St	Apartment	56
410 at Society Hill	Extended South	410 S Front St	Condo	55
1900 Arch (Phase ll)	Core	1900 Arch St	Apartment	55
The Residences at 1221	Extended North	1221 Mount Vernon St	Apartment	40
1430 South Street	Extended South	1426-30 South St	Apartment/Single Family	36
Corinthian Court	Extended North	2012 W Girard Ave	Apartment	34
The Stables	Extended North	1102-34 N American St	Single Family	27
Mildred Court	Extended South	900 S 8th St	Single Family	25
TOTAL UNITS IN LARGER PROJECTS (25 OR MORE UNITS)				925
TOTAL UNITS IN SMALLER PROJECTS (LESS THAN 25 UNITS)				613
TOTAL UNITS				**1,538**

Source: CPDC/CCD survey

RENTAL MARKET, 2015

In the past three years, a total of 4,047 apartment units were brought to market in Greater Center City, with 24% of that new supply (986 units) completed in 2015. Based on data provided by RentHub, Figure 5 compares rents for the past two years by neighborhood, sorted highest to lowest. The most expensive units are located in Core Center City, close to jobs and amenities. Asking rates rose fastest here, appreciating between 2.2% and 10.6%. Rents increased by 1.2% to 8.1% in seven of ten of the extended neighborhoods; in three, they slipped by 0.9% to 1.8%. In 2014, every neighborhood in Extended Center City saw an increase over 2013, while growth was more modest in the core. Some year-to-year fluctuation is expected, based on the different types of units that may be coming to market. But these statistics suggest no sign of rent decline in the face of new supply. Similarly, Delta Associates, sampling Class A buildings (larger and built after 1991), found that year-end-2015 citywide rents had increased by 3.1% over 2014, while vacancy dropped from 5.7% last year to just 2.8% at the end of 2015.

Peter Tobia

FIGURE 5: GREATER CENTER CITY ASKING RENTS PER SQ FT BY NEIGHBORHOOD, 2014 AND 2015

NEIGHBORHOOD	AREA	2014	2015	% CHANGE
Rittenhouse	Core	$2.54	$2.62	3.5%
Logan Square	Core	$2.05	$2.27	10.6%
Washington Square West	Core	$2.09	$2.24	6.9%
Society Hill	Core	$2.04	$2.10	3.1%
Waterfront	Core	$2.05	$2.09	2.2%
Chinatown	Core	$1.92	$2.00	3.9%
Old City	Core	$1.88	$1.98	5.1%
Bella Vista	Extended South	$1.95	$1.92	-1.8%
Callowhill / Poplar	Extended North	$1.87	$1.83	-1.7%
Graduate Hospital	Extended South	$1.75	$1.79	2.3%
Queen Village	Extended South	$1.73	$1.75	1.2%
Northern Liberties	Extended North	$1.63	$1.61	-0.9%
Fairmount / Spring Garden	Extended North	$1.55	$1.57	1.5%
Passyunk Square	Extended South	$1.38	$1.43	3.8%
Point Breeze	Extended South	$1.23	$1.33	8.1%
Pennsport	Extended South	$1.26	$1.31	4.1%
Grays Ferry	Extended South	$0.90	$0.93	2.8%

Rents averaged $2.19 per square foot in Core Center City neighborhoods (up 5.0%), and $1.55 per square foot in Extended Center City neighborhoods (up 1.5%).

Source: RentHub

OWNERSHIP SALES, 2015

In 2015, 3,220 new and existing homes changed hands in brokered sales in Greater Center City, a 16% increase over 2014. Seventy-five percent of these were in the Extended Center City neighborhoods, with 52% of the total number of transactions occurring between Pine and Tasker Streets, an area that also experienced the greatest increase in transactions. Average sale prices in Greater Center City rose a modest 1% to $430,000. The number of days properties stayed on the market declined by 5% in the last year, but dropped significantly from 81 days on market in 2013 to 66 days in 2015.

EVEN AS NEW SINGLE-FAMILY UNITS HAVE BEEN ADDED, SALES OF EXISTING HOMES HAVE ACCELERATED AND PRICES HAVE RISEN.

FRANKLIN COURT, 7TH AND FAIRMOUNT

Peter Tobia

FIGURE 6: BROKERED RESIDENTIAL SALES

AREA	SALES 2014	SALES 2015	SALES CHANGE	AVG PRICE 2014	AVG PRICE 2015	PRICE CHANGE	DAYS ON MARKET 2014	DAYS ON MARKET 2015	DAYS CHANGE
CORE CENTER CITY	741	785	6%	$597,875	$602,970	1%	91	81	-10%
East of Broad	409	370	-10%	$703,047	$700,637	-.3%	94	87	-7%
West of Broad	332	415	25%	$468,311	$515,893	10%	87	76	-13%
EXTENDED CENTER CITY	2,031	2,435	20%	$363,486	$374,328	3%	62	61	-2%
Extended Center City, North	666	756	14%	$355,948	$375,825	6%	70	67	-5%
East of Broad	224	266	19%	$383,458	$431,658	13%	80	73	-9%
West of Broad	442	490	11%	$342,007	$345,516	1%	65	63	-3%
Extended Center City, South	1,365	1,679	23%	$367,164	$373,654	2%	58	59	1%
East of Broad	584	711	22%	$419,419	$424,389	1%	60	65	8%
West of Broad	781	968	24%	$328,089	$336,389	3%	57	54	-5%
GREATER CENTER CITY	2,772	3,220	16%	$426,142	$430,068	1%	70	66	-5%

Source: Trend MLS

Varenhorst/Gensler

WHAT'S IN THE PIPELINE AND CAN IT BE SUSTAINED?

With 5,833 units under construction and scheduled for delivery during the next three years, skeptics ask: are we looking at a housing bubble in Center City?[3] It's essential to underscore that this is a question almost entirely about rental housing: Only 22% of the new units under construction are townhouses and condos. Those are being produced at a volume completely consistent with recent absorption trends. We know too, that not all the 4,569 rental units will be delivered by their announced completion dates. The timing, location and amenities in each development will determine both its success and impact on existing units. But questions remain: is this a case of too much investment, jumping from other less productive sectors, chasing too little demand? Or does this reflect changed national preferences for housing tenure, realignment of regional markets and fundamentally changed demographics? Finally, to what extent do we have the civic will to act on those demand factors more within our control: job growth and well-funded schools?

A simple way to frame the challenge: Since 2010, CCD/CPDC's tracking of development counted 6,507 new housing units added in Greater Center City, an average of 1,301 per year. American Community Survey (ACS) estimates of household growth for the period 2011-2015 suggest we added 6,494 households downtown, or an average of 1,299 per year, virtually identical to the increase in units. A straight-line, forward projection of the average growth rate since 2010 suggests an increase of 3,897 more households in the next three years – again, 1,299 per year. There are 5,833 units currently under construction. Assuming an equal number per year come to market in 2016, 2017 and 2018, Center City needs to add 650 more households per year above the average growth rate we experienced in the first half of this decade.[4] That means we need some combination of households who do not leave Center City or new households that move here, that adds up to 650.[5]

3: To picture what happens when supply outruns demand, look at the recent history of Center City's commercial office market. When the late 1980s office boom transformed Center City's skyline, tenants moved from old buildings to new. Had there been strong indigenous office job growth, major in-movers from out-of-town or lots of start-ups who grew to scale, the older inventory would have quickly been back-filled. But the recession of the early 1990s, Philadelphia's position on the losing side of mergers and acquisitions, and the steady allocation of local growth to lower-tax jurisdictions in the suburbs, caused 6.5 million square feet of office space to become vacant. As a consequence, despite the major new towers built since 2000, Center City has the same amount of occupied office space in 2015 as it had in 1990. Fortunately, hospitality investments and the 10-year tax abatement enabled all older, vacant office inventory to be converted to housing or hotels.

4: However, the announced delivery dates of projects front-loads the supply with 2,063 units scheduled for completion in 2016, 1,708 in 2017, 391 in 2018, 407 in 2019. This does not factor in more than 8,000 proposed apartment units that have been announced in press releases, newspaper stories and on-line blogs, but have not yet broken ground.

5: A third alternative is 650 existing units go vacant or a portion of the new units take longer to be absorbed than their developers or lenders prefer. The fact that there are about 90,000 units of occupied housing in Center City puts this number in perspective. This short-hand calculation also leaves out the option that some older, obsolete units might simply be demolished or converted to other use.

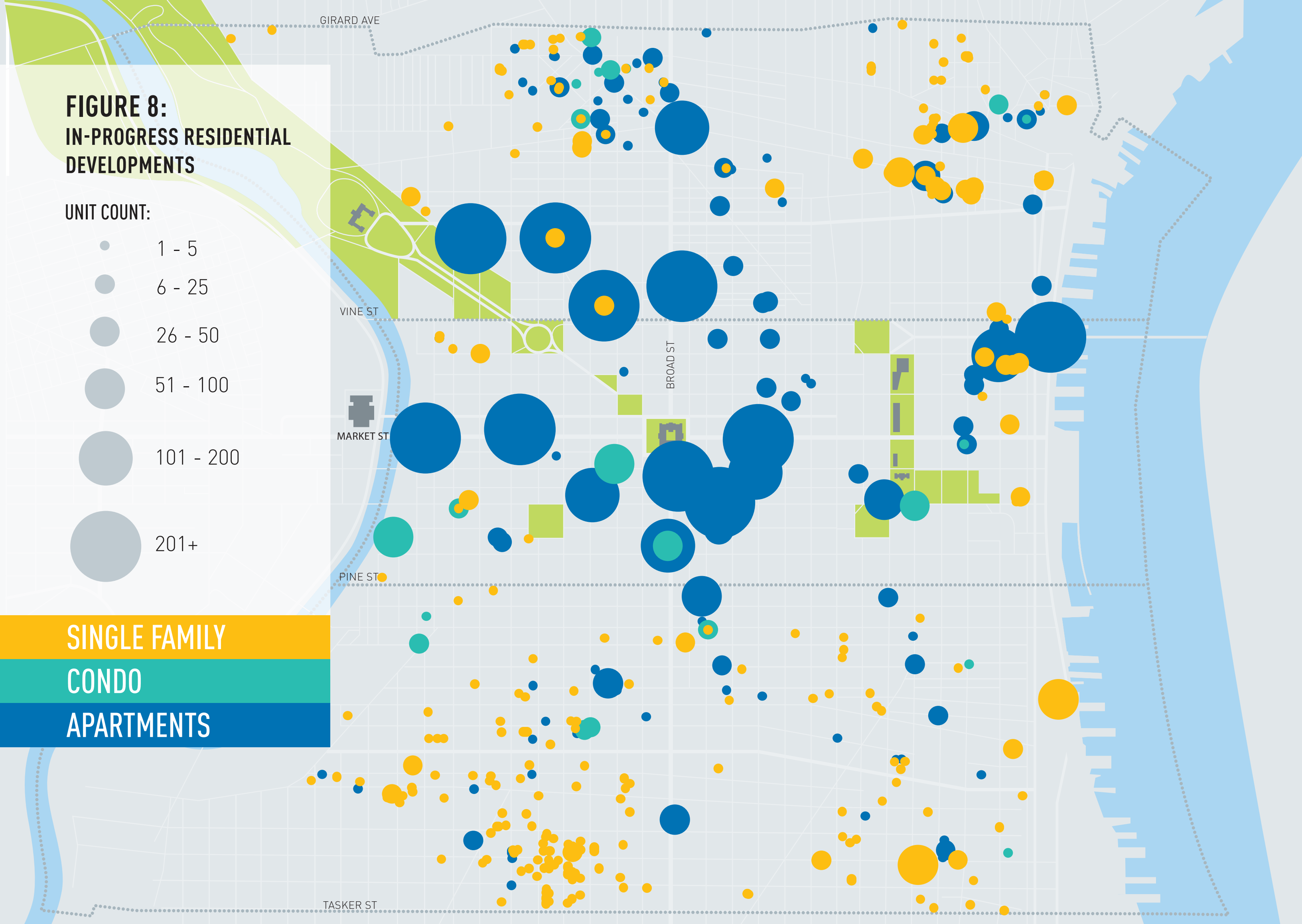


FIGURE 7: IN-PROGRESS UNITS BY AREA, 2016

AREA	APARTMENT	CONDO	SINGLE FAMILY	TOTAL
CORE CENTER CITY	2,629	244	103	2,976
West of Broad	976	204	36	1,216
East of Broad	1,653	40	67	1,760
EXTENDED CENTER CITY	1,940	110	807	2,857
Extended Center City, North	1,665	49	357	2,071
West of Broad	945	32	92	1,069
East of Broad	720	17	265	1,002
Extended Center City, South	275	61	450	786
West of Broad	73	47	183	303
East of Broad	202	14	267	483
GREATER CENTER CITY	4,569	354	910	5,833

SHIFTING HOUSING PREFERENCES

Will the next five years be different from the last five years? Across the country, rates of home ownership were falling, even before the Great Recession, from a high of 69.2% at the end of 2004 to 63.7% in the third quarter of 2015. The recession accelerated this trend through foreclosures and the tightened lending criteria that followed. Flat or falling household incomes further weakened ownership demand. Adjusted for inflation, the median national household income in 2014 is down 7% from 2007 and is on par with 1997 levels. But even some households with ample means have been shying away from ownership. Concerns about long-term value appreciation have increased interest in rental options, as have preferences for greater flexibility, reflective in part of a job market that long ago ceased to promise life-long employment.

In the Philadelphia metro area, homeownership declined from 70% in 2005 to 67% in 2014, and the median adjusted income is down by 4%. In Philadelphia, the homeownership rate is down from 57% in 2005 to 52% in 2014, while the median household income is virtually flat.

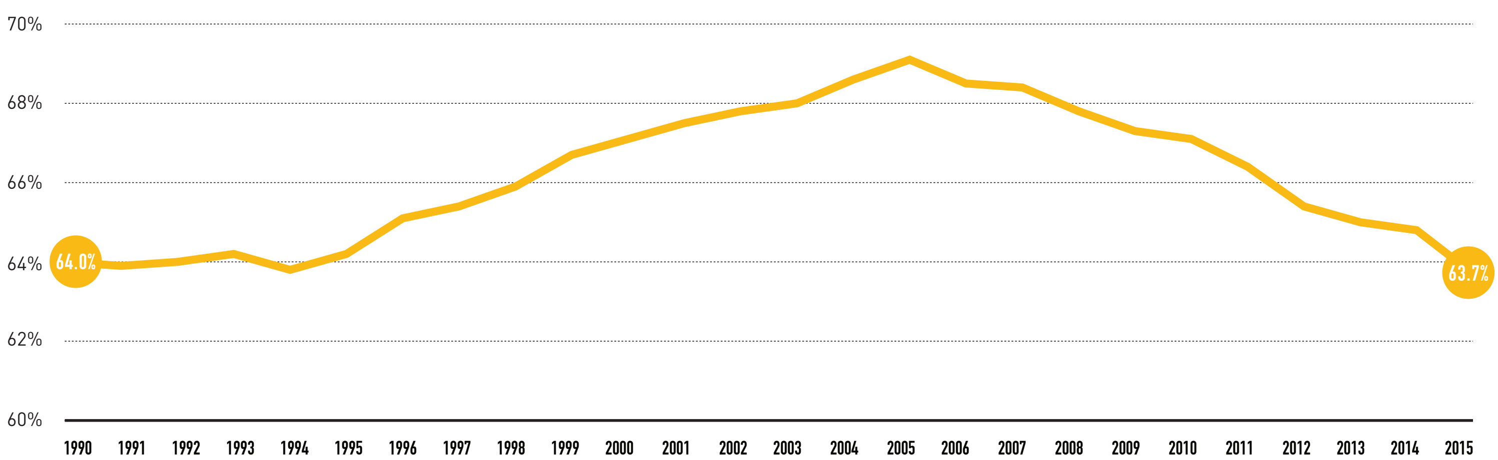
By contrast, the adjusted median income in Greater Center City has risen 20% since 2005 and the homeownership rate is down only slightly – dropping from 43% to 41%.[6] But the macro shift toward rentership has helped create a climate in which more apartments have been constructed in Center City in the past three years than in the previous ten combined.

FIGURE 9: IN-PROGRESS PROJECTS, 50 OR MORE UNITS

NAME	AREA	ADDRESS	TYPE	UNITS
Hanover North Broad	Extended North	322 N Broad St	Apartment	339
2400 Market Street	Core	2400 Market St	Apartment	325
East Market (Phase I)	Core	1101 Market St	Apartment	322
1213 Walnut	Core	1213 Walnut St	Apartment	322
1919 Market	Core	1919-43 Market St	Apartment	321
Rodin Square	Extended North	501 N 22nd St	Apartment	293
Museum Towers II	Extended North	1801 Buttonwood St	Apartment/Single Family	286
1601 Vine Street	Extended North	1601 Vine St	Apartment/Single Family	277
One Water Street	Core	230 N Christopher Columbus Blvd	Apartment	250
The Griffin	Core	1346 Chestnut St	Apartment	217
1401 Spruce Street	Core	260 S Broad St	Apartment/Condo	200
Bridge	Core	205 Race St	Apartment	146
The Latham	Core	135 S 17th St	Apartment	144
1112-1128 Chestnut Street	Core	1112-28 Chestnut St	Apartment	112
Divine Lorraine	Extended North	699 N Broad St	Apartment	109
Southwark on Reed	Extended South	400 Reed St	Single Family	95
One Riverside	Core	210-20 S 25th St	Condo	82
Bridgeview	Extended South	787 S Swanson St	Single Family	75
Two Liberty Place	Core	1601 Chestnut St	Condo	73
Transatlantic	Extended North	420-42 Fairmount Ave	Apartment/Single Family	61
Waverly Place	Extended South	412-26 S 13th St	Apartment	60
Curtis Center	Core	699 Walnut St	Apartment	57
Broad Street Armory	Extended South	1221 S Broad St	Apartment	50
Total Units In Larger Projects (50 Or More Units)				4,216
Total Units In Smaller Projects (Less Than 50 Units)				1,617
TOTAL UNITS				5,833

6: This trend can be accounted for by rising incomes of existing residents, the in-movement of more people of means, or both.

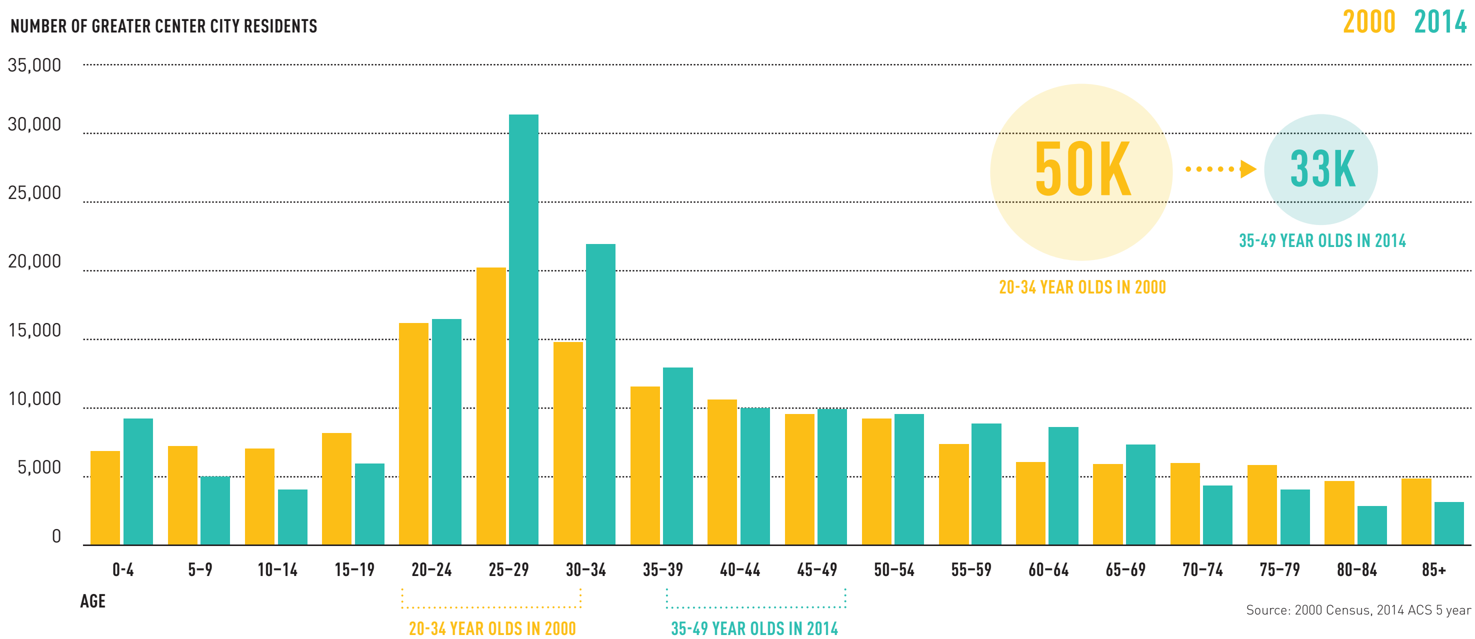
FIGURE 10: NATIONAL HOMEOWNERSHIP PERCENTAGE, 1990 – 2015



Source: Federal Reserve Economic Data

HAD ALL OF THE 25-34 YEAR OLDS WHO LIVED IN CENTER CITY IN 2000 AGED IN PLACE, THERE WOULD BE 17,000 MORE 35-49 YEAR OLDS LIVING DOWNTOWN IN 2014.

FIGURE 11: GREATER CENTER CITY, AGE DISTRIBUTION, 2000 AND 2014



Source: 2000 Census, 2014 ACS 5 year

Matt Stanley

AGE AND MOBILITY

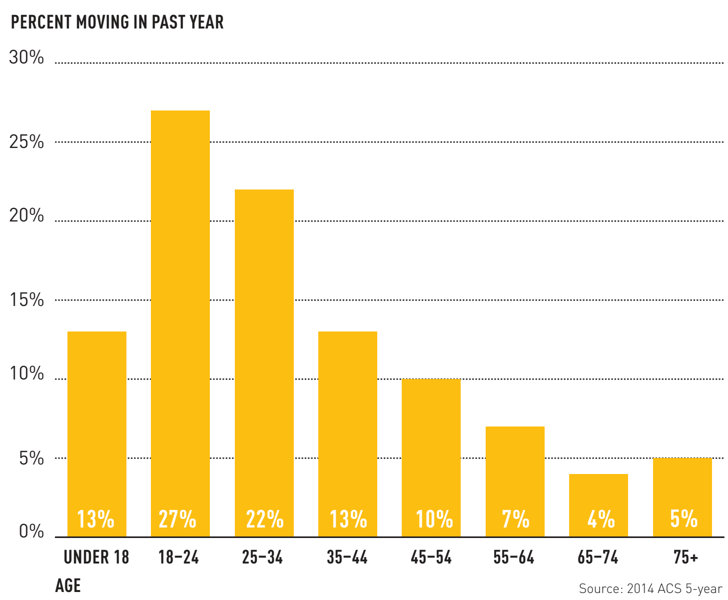
Much has been made of Philadelphia's appeal to millennials. As Figure 11 shows, Philadelphia's long-term success in retaining recent college graduates as they start careers has been substantially boosted by the national surge of 25 to 34 year olds. National data show that younger people are also the most likely to move and therefore more likely to be renters than owners. A recent Pew survey found that 75% of Philadelphia's millennials were renters.[7]

National American Community Survey (ACS) data for 2014 suggest that 31% of 18 to 24 year olds moved in the past year. Philadelphia ACS data show that 27% of 18 to 24 year olds moved in the past year, making them the most mobile group in the city; 25 to 34 year olds are close behind with 22% moving in the past year (Figure 12). But mobility quickly drops with age, as careers and/or children anchor people to place; only 13% of Philadelphia's 35 to 44 year olds moved within the last year.

To a large degree, our rental boom is being driven by a focus on millennials. This is bolstered by the emergence of new technology firms in Center City and by Comcast's 1,121-foot-tall, second tower rising on the skyline. It is anticipated to house several thousand new technology jobs when it opens on 18th Street. If half of these positions are filled by young talent recruited from out-of-town and all young newcomers choose initially to live in Greater Center City, they alone could consume a significant percent of the new rental supply coming onto the market in the next three years. But the tower is not expected to achieve full occupancy until 2018, well after the proposed delivery date of the bulk of new supply under construction (see footnote 4). Further, as the "live-local" estimate drops, so does Comcast's impact on Center City housing markets.

So, Center City will also probably need an increase in empty-nesters coming back from the suburbs as renters or owners for demand to keep pace with supply.

FIGURE 12: PHILADELPHIA, MOBILITY BY AGE



Source: 2014 ACS 5-year

7: *Millennials in Philadelphia: A Promising but Fragile Boom*, The Pew Charitable Trusts, February 2014.

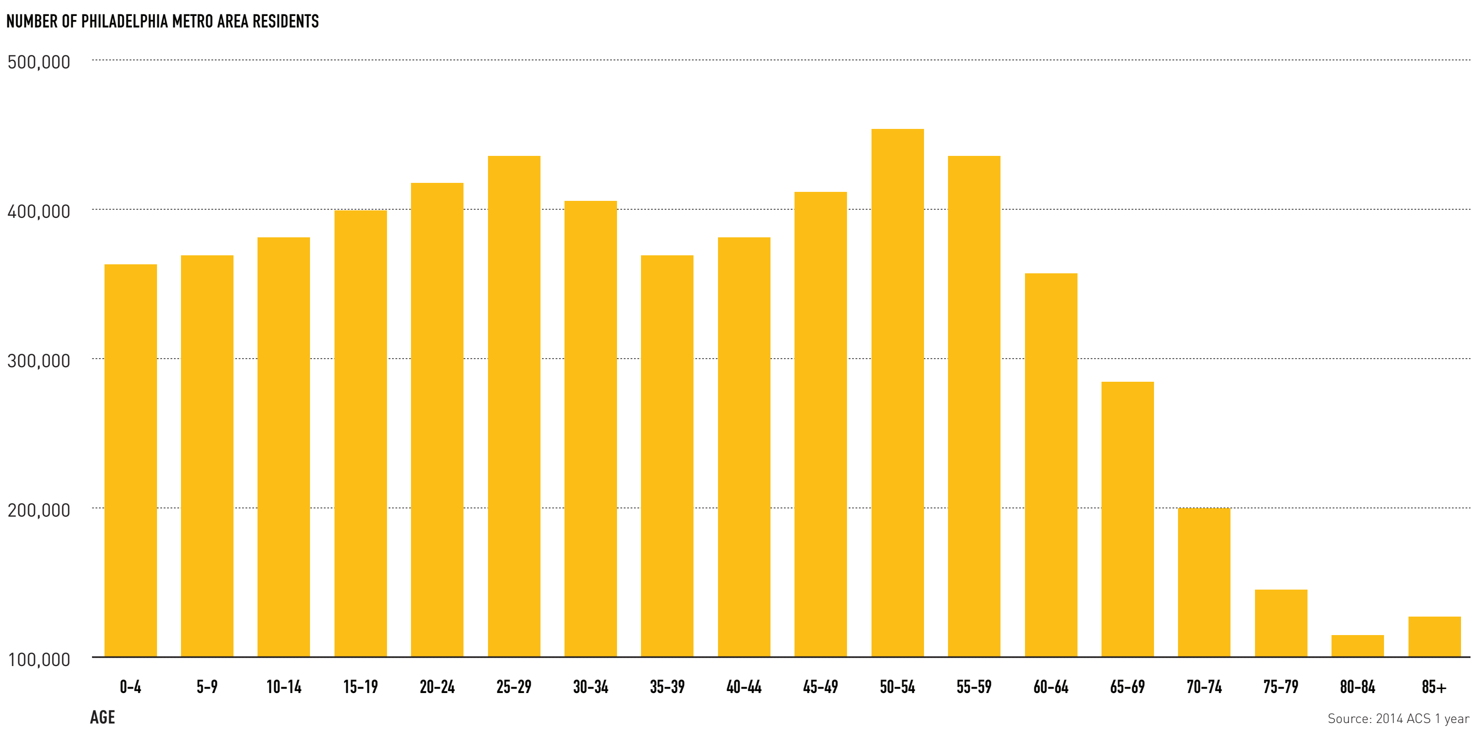
RETAINING EXISTING HOUSEHOLDS

Household growth can most easily be achieved by retaining a greater share of millennials as they age, especially since 20 to 34 year olds currently constitute the largest share (40%) of Greater Center City's population. In 2000, there were approximately 50,000 people ages 20 to 34 in Greater Center City (Figure 11). Had they all stayed in place, we would expect to see 50,000 35 to 49 year olds in the 2014 ACS data. Instead, there were only 33,000 suggesting that a third, about 17,000, moved elsewhere.

Center City's population still increased, despite that exodus, because it was replenished by the very large cohort of millennials. But national demographic data indicate what all local colleges and universities clearly understand: the national millennial surge, and Philadelphia's chance to capture and retain this urban-oriented demographic, is time-limited. In our metro area, the next generation (currently under 15) is 11% smaller than the cohort of those 15 to 29 who currently or are soon to be entering the housing market (Figure 14). Many colleges and universities draw heavily from outside the region. But the recent Pew Charitable Trusts report on millennials highlights the challenge: 50% of those surveyed don't expect to be here in the coming decade, with 38% assuming they will leave for a job opportunity and 29% leaving because of the perceived inadequacy of schools.[8] Still, the passionate involvement of so many young parents in efforts to improve local public schools, bodes well for Philadelphia, if the current funding crisis can be resolved.

PHILADELPHIA'S ABILITY TO CAPTURE AND RETAIN URBAN-ORIENTED MILLENNIALS IS TIME-LIMITED.

FIGURE 14: REGIONAL AGE DISTRIBUTION, 2014



Source: 2014 ACS 1 year

8: *Millennials in Philadelphia: A Promising but Fragile Boom*, The Pew Charitable Trusts, February 2014.

JOBS, MIGRATION AND NET POPULATION CHANGE

Center City is not an island. It must be analyzed in the broader context of city and regional trends. The 2010 Census brought good news to Philadelphia: 60 years of population decline had ended. But despite much publicized in-movement, the city continues to lose people to nearly all its surrounding counties and to New York City. For the region as a whole, the 2010-2014 data show 21,000 moving into Philadelphia but 28,000 moving out to suburbs — a net loss of 7,000 per year.

Second, despite highly publicized stories of firms seeking to be near downtown's well-educated young workers, Center City's millennials are not large enough, nor do they possess all the needed skills, to offset larger trends.[9] So too, while the in-movement of empty-nesters is significant, contributing to an average of 5,000 Montgomery County residents per year moving into the city, each year 10,000 Philadelphians move the other way — for a net loss of 5,000 per year. People still follow jobs; parents still seek affordable, quality schools.

Since 1990, every county in the metropolitan area has added jobs — except for Philadelphia and Salem and Camden Counties in New Jersey. Since 1990, every county has added population — except Philadelphia and Salem County. The counties with the largest gains in jobs — Chester and Montgomery — also had the largest gains in population (Figure 16). The correlation is very strong.[10]

Where the job growth in the city has been strong, residential growth has been dramatic. Center City and University City together are just 8% of Philadelphia's total land area, but hold 55% of its jobs. Both areas are experiencing sustained employment growth. It is not a coincidence that they are also the two portions of the city that have experienced the largest number of in-movers of all ages. Together, they accounted for 37% of all in-movers to Philadelphia between 2010 and 2014.

Beyond the positive trends in Center City and University City, Philadelphia is beginning to see an overall population increase for three other reasons: (1) the tidal wave of people who moved to the suburbs between the 1950s and 1970s has significantly slowed, though the reverse trends are still not yet sufficient to make us regionally positive; (2) domestic births far surpassed deaths; and (3) the upsurge in new immigrants to the city almost exactly equal the number of Philadelphians who moved away (see Figure 17).

FIGURE 15: TOP 10 DESTINATION COUNTIES FOR MIGRATION OUT OF PHILADELPHIA

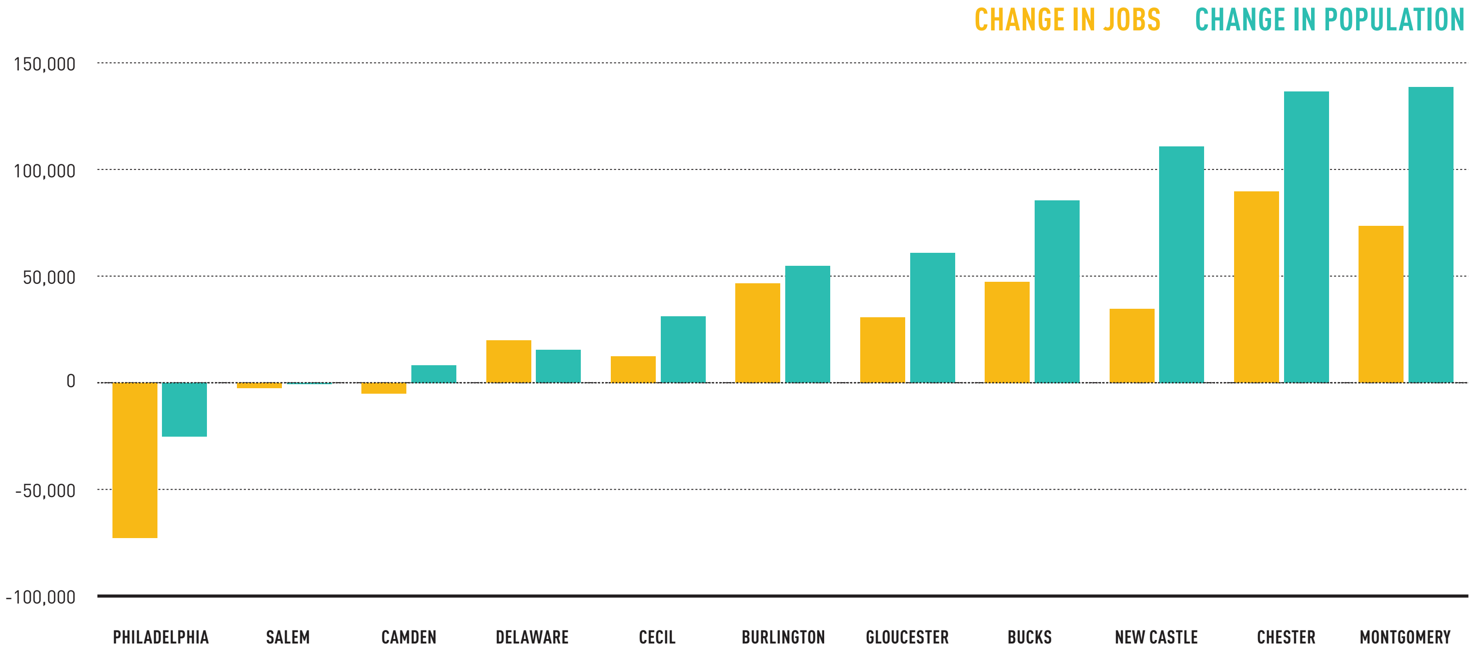
RANK	STATE	COUNTY	OUTGOING	INCOMING	NET
1	Pennsylvania	Montgomery County	10,587	5,162	-5,425
2	Pennsylvania	Delaware County	5,981	5,478	-503
3	New York	New York City*	3,426	2,982	-444
4	Pennsylvania	Bucks County	3,381	3,925	544
5	Delaware	New Castle County	2,241	689	-1,552
6	New Jersey	Camden County	2,215	1,943	-272
7	Pennsylvania	Chester County	1,975	1,640	-335
8	New Jersey	Burlington County	1,050	1,361	311
9	California	Los Angeles County	876	448	-428
10	Pennsylvania	Allegheny County	839	623	-216

Source: ACS County-To-County Migration Flows from 2009-2013 5yr Sample Data; *New York City is technically five counties

9: Only 10% of downtown jobs are held by Center City residents; 48% are held by residents from the surrounding suburbs.

10: The three townships that benefitted most in the region from Philadelphia out-migration in this period were Cheltenham, Lower Merion, and Abington. They are located in a county that has enjoyed 25% job growth in the last 25 years. All three municipalities border Philadelphia; provide a variety of transportation choices and easy access to the amenities of the city; all have quality school districts with overall ratings either 7 or 8 (out of 10) on GreatSchools.org – as compared to 3 for Philadelphia. Spending per student in suburban districts is, on average, 50% higher than in Philadelphia, according to the Census Annual Survey of School System Finances. The correlation between no, or slow, job growth, weak demand for commercial and residential real estate and a diminished funding base to support schools is apparent in this calculation made by The Pew Charitable Trusts: the assessed value per pupil in Lower Merion for tax year 2012-2013 was $1.4 million; in Radnor it was $1.1 million; in Philadelphia it was just $189,000 per pupil [*A School Funding Formula for Philadelphia*, The Pew Charitable Trusts, January 2015].

FIGURE 16: CHANGE IN JOBS AND POPULATION, 1990 TO 2014



Source: U.S Census, Annual Population Estimates for 1990 and 2014; BEA CA25 – All Wage and Salary Jobs

IMMIGRATION AND LOCAL BIRTHS ARE THE LARGEST FACTORS ACCOUNTING FOR CITYWIDE POPULATION GROWTH. BACK-TO-THE-CITY TRENDS PREVAIL PRIMARILY IN CENTER CITY AND UNIVERSITY CITY.

FIGURE 17: COMPONENTS OF POPULATION CHANGE IN PHILADELPHIA, 2010 TO 2014

POPULATION CHANGE	2010 TO 2014
NET NATURAL INCREASE	
Births	98,698
Deaths	-61,716
Subtotal	36,982
MIGRATION	
Net International	34,546
Net Domestic	-35,777
Subtotal	-1,231
TOTAL POPULATION CHANGE	**34,291**

Source: US Census Bureau, Annual Population Estimates

Peter Tobia

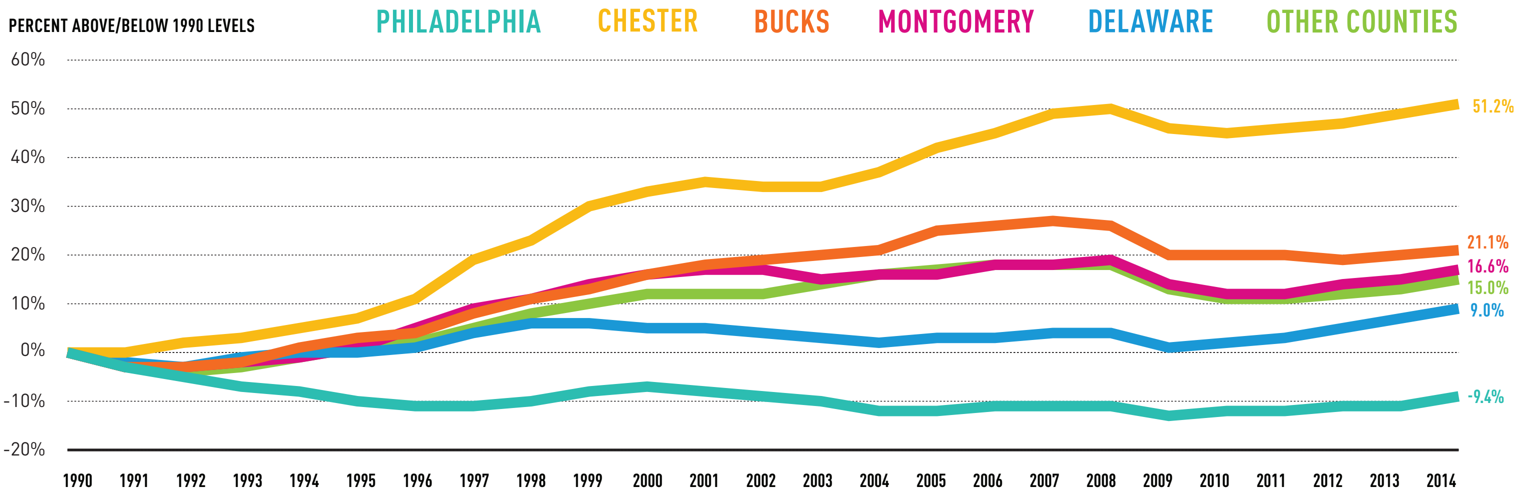
CHANGING THE JOB TRAJECTORY

The picture in our own rear-view mirror is encouraging. Since 2005, Philadelphia added jobs every year except 2009, buoyed mostly by growth in education and healthcare. The current five-year up-cycle is the longest expansion since the mid-1980s. But this growth comes in the midst of a sustained recovery nationwide. Since 2010, national private-sector job growth has averaged **2.2%** per year; the region has averaged **1.3%**; the city has only attained **1.1%** per year. By contrast, America's 25 largest cities (not counting Philadelphia) have outperformed the national economy, growing jobs at a rate of **2.8%** per year. Philadelphia's recent growth also hasn't come close to offsetting the legacy of long-term decline. In the current up-cycle we still have not regained the job levels in the city in 2000 and Philadelphia is still 28% below 1970 job levels.[11] Between 1990 and 2014, Philadelphia lost 72,803 jobs while the rest of the region added 346,817 (Figure 18), causing Philadelphia's share of the region's employment to contract from 30% to 24% (Figure 19).

The aggregate mix of skills required by suburban jobs are no different from skills required by urban employers. There are simply more jobs in the suburbs. As a consequence, 31% of Greater Center City residents and 40% of Philadelphia residents living outside Greater Center City now reverse commute to jobs in the suburbs. Even before factoring in the allure of well-funded schools, job location exercises a strong influence on residential choice.

11: By contrast, New York City has 6.5% more jobs than it held in 1970, while Boston is up 16.2%.

FIGURE 18: REGIONAL WAGE AND SALARY EMPLOYMENT



Source: BEA CA25 - All Wage and Salary Jobs

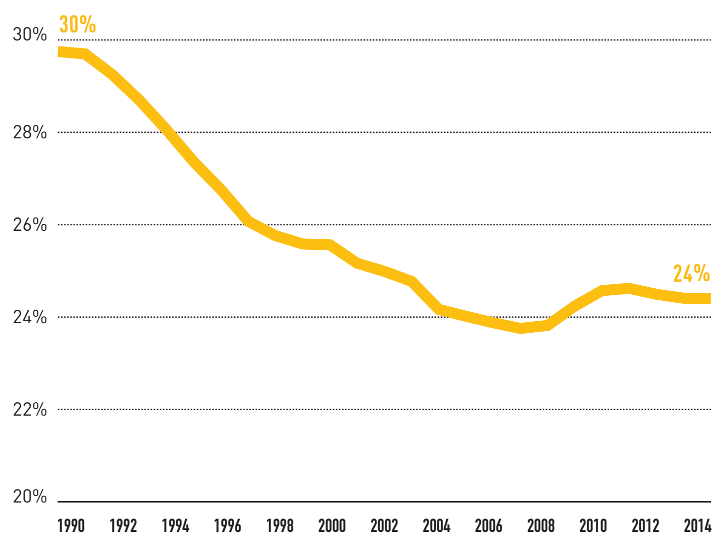
PHILADELPHIA NEEDS TO COMMIT TO TAX POLICIES THAT SUPPORT JOB GROWTH THROUGHOUT ALL NEIGHBORHOODS.

CONCLUSION

The state of downtown's housing market is currently strong. Macro-economic, cultural and demographic factors are favoring live-work, transit-oriented and walkable places like Center City that are dense with jobs, cultural and retail amenities. The era when older cities were destined to decline is over.

But we should not let current, positive demographic trends and the significant boost from Comcast's expansion mask underlying challenges with a municipal tax structure that has depressed job growth across the city and weakened the real estate tax base required to support our public schools. As this report suggests, there are multiple ways to piece together a path for demand to keep pace with the impressive supply of new housing underway in Greater Center City. But to avoid the potential for over-supply downtown and to address the weak demand, unemployment and poverty that plague so many other portions of the city, Philadelphia needs to commit to public policies that facilitate job growth throughout all neighborhoods.

FIGURE 19: PHILADELPHIA'S SHARE OF REGION'S JOBS



Source: BEA CA25 – All Wage and Salary Jobs