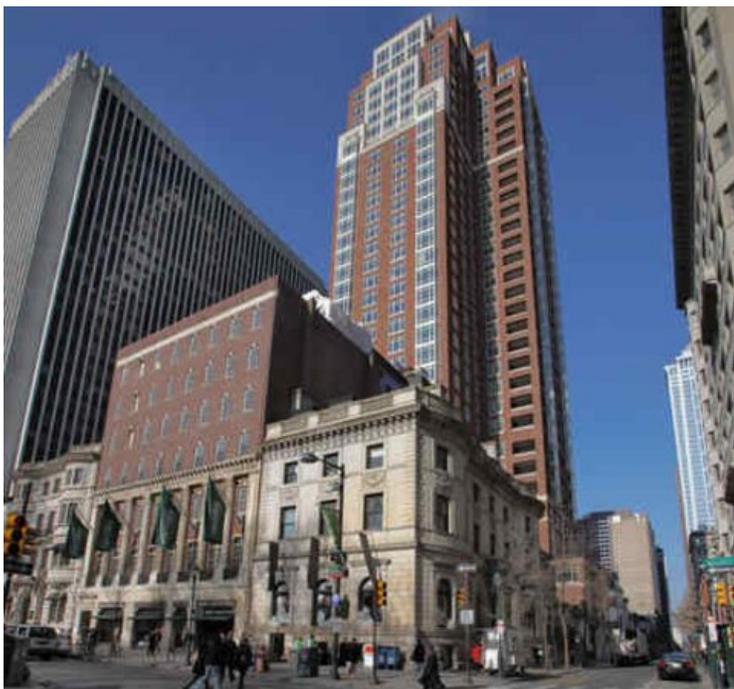


Collections • Tax Credit

Condo sales booming across Philadelphia



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By Alan J. Heavens, Inquirer Real Estate Writer

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Condo sales in Philadelphia nearly doubled from the first quarter of this year to the second, and the numbers were better than at any time since the housing downturn began here in August 2007.

Data from the Recorder of Deeds Office analyzed by Econsult Corp. vice president Kevin Gillen show that 604 condo sales closed citywide between April 1 and June 30. Of those, 477 units sold for less than \$500,000, the analysis shows.

More than 200 separate condo locations were recorded, including some in Northeast Philadelphia, South Philadelphia, and East Falls, according to Gillen's analysis. The majority were in Center City and adjacent neighborhoods.

Paul Levy, president and chief executive officer of the Center City District, said the second-quarter condo sales demonstrated the "extraordinary resiliency" of downtown Philadelphia through the recession, "with housing values holding up very well even if the volume of sales [overall] has slowed down."

"But the demand for properties in all price ranges remains strong, and in the neighborhoods south of South Street and north of Spring Garden Street, individual renovation and new construction is continuing, primarily in the single-family market," he said.

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In most of the 200 condominium locations, there were one to three sales. But Toll Bros.' Naval Square accounted for 66 sales in the second quarter, the most recorded at any one site. Many were flats in Naval Square's Pemberton Collection, part of the \$100 million complex's second phase, senior project manager Nancy Pillon said.

"Sales were very strong for Pemberton, and simultaneously we began offering townhouse condominiums with garages underneath, as well as expanded garages," Pillon said. "It was a nice mix."

The flats started in the \$300,000 range. Deeds show that prices of the Naval Square units sold ranged from \$325,000 to more than \$700,000.

The recently expired federal tax credits played a role in sales to first-time buyers, who mentioned it "when they asked about closing dates," Pillon said. Sales contracts had to be signed by April 30 for qualified first-timers to receive up to \$8,000.

Still, Gillen said, a large percentage of the units sold in the second quarter were "either priced beyond what the tax credit allows" or purchased by "households who make more income than what the credit allows."

"So you can't attribute the large sales volume to the expiration of the tax credit this spring, like you can for single-family homes," he said.

Pillon counted empty nesters formerly from the suburbs in Naval Square's mix - buyers who may have benefited indirectly from the tax credit, Gillen said.

For almost two years, many people looking to buy in Center City were prevented from doing so, as the struggling economy put the brakes on sales elsewhere and declining values took a huge bite of the equity they had in the homes they were living in.

Then the tax credits - both the initial one, exclusively for first-time buyers, that expired Nov. 30, and the extended and expanded credits that ended in April - injected buyers into the market, and transactions started up again.

Suburban home sales in the second quarter were about 30 percent higher than in the same period in 2009, according to Prudential Fox & Roach's HomeExpert Market Report, reflecting the impact of the tax credits.

Center City real estate broker/developer Allan Domb said that if the tax credits did help empty nesters buy in the city, the houses they sold likely "were priced under \$600,000," given financial limits on those seeking the credits and the fact that they apparently have not resulted in the sales of very expensive condos.

Just 28 units, all in Center City, sold for \$1 million or more, Gillen's analysis shows.

Eight were at 10 Rittenhouse Square, the luxury high-rise at 130 S. 18th St. that was taken over July 16 by a local investment firm that manages the pension funds of thousands of union workers in Philadelphia. Four units at 10 Rittenhouse sold for less than \$1 million.

Seven million-dollar-plus sales were at 1706 Rittenhouse Square St. Not included among the deeds Gillen analyzed was the one recorded April 2 for the building's 8,500-square-foot penthouse, which sold for a record \$12.5 million.

The rest of the sales over \$1 million were scattered among 11 Center City buildings.

The current market "below \$500,000 is healthy and only off 10 to 15 percent," Domb said, "while over \$1 million is off 20 to 40 percent."

"Interestingly, interest rates for a 15-year fixed loan under \$417,000" - the point at which they become hard-to-get jumbo mortgages - "are 3.875 percent," Domb said. "I've never seen this rate in my lifetime."

The least-expensive condos, by and large, were sold in Northeast Philadelphia - at Delaire Landing and Baker's Bay along the Delaware River, and at Pathways, Emerald Way, and Meadowbrook House, among others - with most recorded prices from \$100,000 to \$199,000, the analysis shows.

Thirty-two second-quarter sales were for less than \$100,000, many representing parking spaces associated with Center City condo units.

Just 11 of the 604 sales were of bank repossessions after foreclosure, leading Gillen to observe: "The fact that there are so few [bank-owned properties] in the segment that has experienced the biggest increase in inventory is another piece of good news."

At the Residences at the Phoenix, 1600 Arch St., where 47 units were sold at an April auction, 11 of those units closed during the second quarter. The Murano, at 21st and Market Streets, continued to benefit from interest in its units after a June 2009 auction, with 12 more closing in the second quarter.

To Gillen's way of thinking, their disparate locations is one of the things that makes the number of second-quarter condo sales extraordinary.

"Most of the new construction is behind us," he said, "so you can't attribute the large sales volume to the completion of one or two large projects."

A Boost for Center City



Paul Levy, president and chief executive officer of the Center City District, cites these five benefits of the condo boom:

A diversified downtown. Once Center City was a traditional 9-to-5 place of commerce, with some apartments. Now, 3,000 condos are within the traditional central business district. Along with arts, cultural, and hospitality offerings, this has helped animate city streets at night.

Job creation. A significant number of underperforming buildings have been converted to 24-hour use, generating construction jobs and long-term property-management positions.

A new crop of residents. The condos are attracting, in addition to young professionals, affluent empty nesters and retirees who bring a substantial amount of disposable income that has stimulated restaurants and stores.

A higher, and wider, real estate profile. By raising the price of residential real estate downtown, new condos have helped expand the ring of neighborhoods around Center City of interest to artists, students, and young professionals

Population gains. By drawing more professionals to the city, the number of residents with higher expectations of local government and elected officials has increased.

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