

# Center City Housing Report





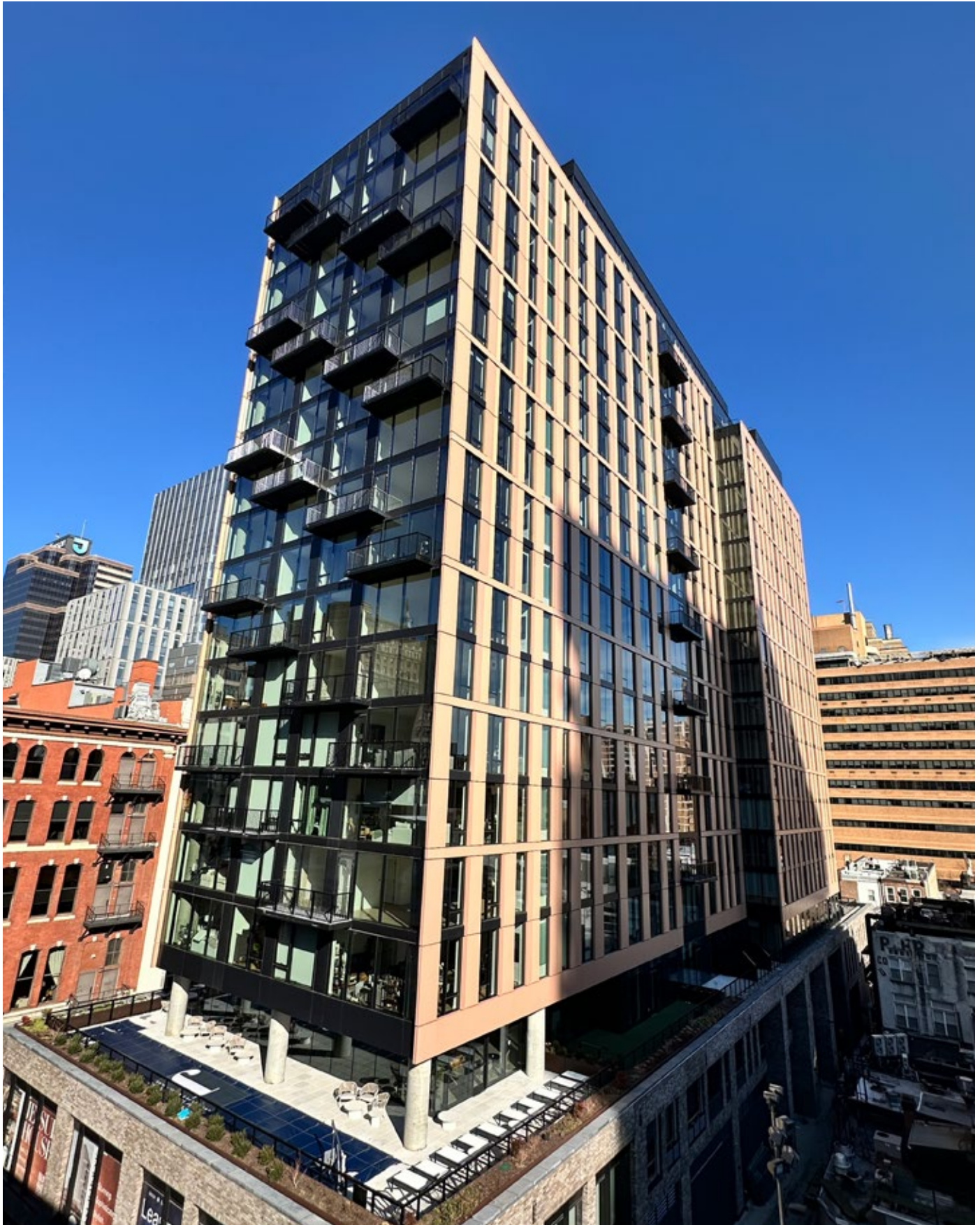
# 2024 Center City District Housing Report

## Report Overview

- During a four year period when the daytime population of Greater Center City has contracted by 8%, residential growth has been a bright spot. Greater Center City's population has grown by 3% over the last four years, and has been the fastest growing residential area in Philadelphia for the last two decades, with a 26% increase since 2011.
- After a pause in housing production in 2020, momentum has returned, with 7,429 units added to Greater Center City since 2021 and 7,181 more in the pipeline.
- Employees living less than two miles away from their offices have returned to the office at a rate of 90%, compared with 70% overall. A growing population proximate to the region's economic center means shorter commutes, less traffic congestion and air pollution, and more lively workplaces.



Front Cover: The Laurel, developed by Southern Land Company on 19th and Walnut



The Jessup house, developed by Greystar Worldwide at 12th and Sansom

## Introduction

Greater Center City (Girard Avenue to Tasker Street, river to river), with over 200,000 residents, has been the fastest growing residential area in Philadelphia for the last two decades. Greater Center City’s population has increased by 26% since 2011, according to the Census Bureau’s American Community Survey (ACS). The sustained increase in population has supported demand for the production of renovated and new housing.

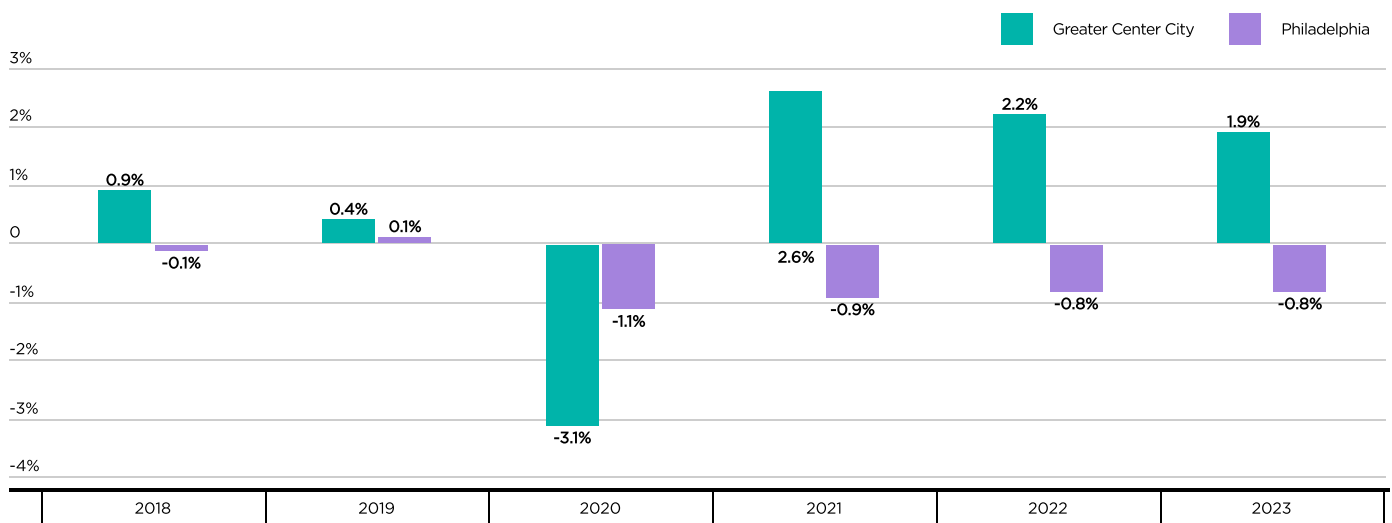
After a pause in housing production in 2021, momentum has returned, with 7,429 units added to Greater Center City since 2021 and 7,181 in the pipeline. In 2023, Greater Center City, just 5.8% of the city’s land area, accounted for 37% of the city’s total supply of new housing units. The five ZIP codes immediately adjacent to Greater Center City accounted for another 27% of new units delivered. Combined, Greater Center City and the adjacent ZIP codes

represent 16.2% of the city’s geography, but were the locale for 63% of the 7,781 new units completed in Philadelphia last year.

Center City continues to adapt as a thriving, live-work, mixed use downtown. More residents means steady foot traffic, which attracts restaurants and retailers, increases economic activity, and contributes to a sense of safety and security.

### Net Migration as a Percentage of the Population, 2018-2023

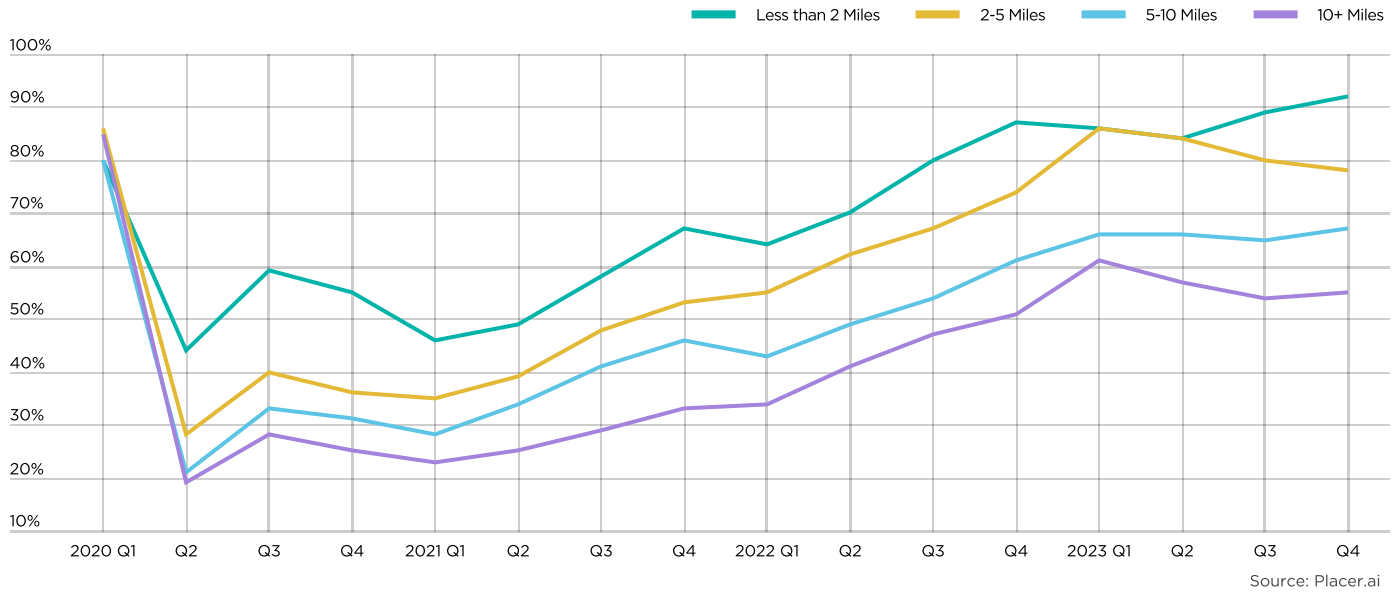
Since 2020, Greater Center City has experienced more people moving in than moving out.



Source: Placer.ai

**Philadelphia Employee Recovery Rate by Commuting Distance, 2020-2023**

**The likelihood of return to the office decreases the farther an employee lives from downtown.**



With over 300,000 jobs located downtown, Center City is the regional core for employment. When deciding where to live, even in hybrid work environments, proximity to jobs attracts residents to Center City.

In downtowns across the country, as tracked by Center City District in the 2023 *Downtowns Rebound* report, there is a correlation between ease of commute and return to the office. In Center City, the volume of workers returning to the office is at 90% of 2019 levels for those living less than two miles away. The likelihood of workers returning to the office decreases as the distance grows from downtown, with those living 10 or more miles returning at a rate of approximately 50%. Unlike other cities nationwide, Center City’s mixed use walkable downtown supported by residents allowed for pedestrian traffic to reach totals approaching 2019 counts.

The 10-year tax abatement spurred residential development in Center City with expanded use to include new construction in 2000. As a result, large residential towers were constructed, neighborhood row homes remodeled or combined to multifamily use, and industrial and office space converted to residential units. The growing supply was fostered by nationwide migration to cities in the late 1990s and early 2000s.

Now, as the 10-year tax abatement is in its second year of decreasing abatement to phase out the program, developers quickly responded by permitting and constructing new projects. Changes to the 10-year tax abatement paired with macroeconomic housing trends, including high interest mortgage rates for home buyers and strained availability of construction financing for developers, are expected to slow construction citywide. However, these changing economic headwinds have not done enough to dampen the positive migration and construction trends within the greater Center City area. In 2023, over 1,800 permits were issued in Philadelphia for a total of 16,445 units.

# Center City's Residents

Over the last 11 years, Greater Center City's population of higher-earning, college-educated, young adults has grown. Center City continues to be a desirable place for young professionals graduating from the region's universities and relocating from neighboring cities and suburbs. College graduates provide a workforce pipeline that supports employment growth.

Over 80% of residents in core Center City have a college degree, and 53% are in the 22-34 age range. Over the last decade, greater Center City's population had become younger; 40% of residents are 22-34, up from 32% in 2011.

As of the Census Bureau's most recent American Community Survey (ACS) from 2022, there were 113,500 housing units in Greater Center City. Thirty-six percent were owner-occupied with more renters in the core and a higher proportion of owners in extended Center City. The average household size among owner-occupied units in these ring neighborhoods was 1.8; among renter-occupied units it was 1.65. Households were generally larger in extended Center City with a greater presence of school age children with more singles and empty nesters in the core.

Core Center City also has a growing number of residents above 60, many of whom are empty nesters. Most residents living in core Center City do not have children, though the percentage of households with children is higher in immediately adjacent ZIP codes. The median household income for Greater Center City is \$96,782, increasing from \$81,489 in 2011.

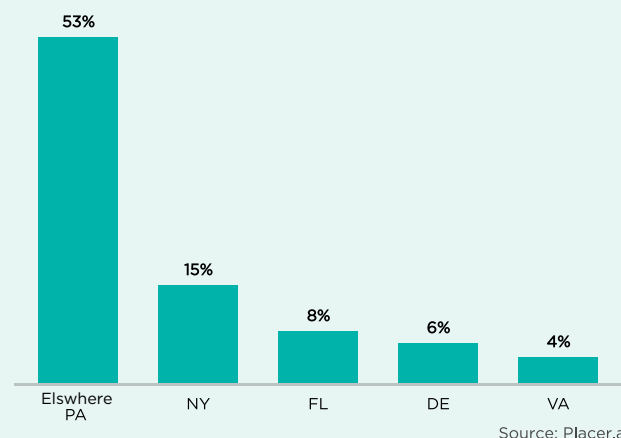
Drawing on the strength of Center City's access to public transportation and walkability, 50% of households in the core do not own a car. Center City has a walk and transit score in the high 90s according to Walk Score, meaning daily errands do not require a car.

## WHERE ARE CENTER CITY'S RESIDENTS MOVING FROM?

Greater Center City experienced positive net migration for all years following 2020. According to Placer.ai over 11,000 people migrated to Center City from 2021 to 2023. Placer.ai's overall population estimates, including additional factors, suggest Center City's population has grown by 6% within the same period.

From 2021 to 2023, over half of Center City's movers arrived from elsewhere in Pennsylvania, with high representation from within Philadelphia and neighboring suburbs. Positive net migration from New York State was consistent for the last three years. In 2023, more residents moved from New York City than the years prior. Florida, Delaware and Virginia were also top origins for people moving to Center City.

Percentage of Greater Center City's Migration, 2021-2023  
Top 5 states from where people are moving to Greater Center City.



## Population and Housing Characteristics: Center City and Philadelphia

	Core Center City	Extended Center City	Greater Center City	City of Philadelphia	Philadelphia Metro
<b>Area Total (Square Miles)</b>	<b>2.85</b>	<b>5.84</b>	<b>8.69</b>	<b>142.7</b>	<b>2,201.61</b>
Population Density (per Square Mile)	27,214	23,048	24,239	11,858	1,951
Percent of Population Age 25+ with Bachelor's Degree or More (2020)	80%	68%	72%	34%	43%
<b>Age</b>					
Percent Ages 20-34	53%	49%	40%	26%	21%
Percent 60 and older	22%	16%	18%	20%	23%
<b>Income</b>					
Average Household Income (In 2022 Inflation Adjusted Dollars)	\$152,234	\$138,901	\$143,875	\$84,435	\$119,588
Median Household Income (In 2022 Inflation Adjusted Dollars)	\$94,804	\$97,985	\$96,782	\$57,537	\$83,333
<b>Housing Units (2022)</b>					
Owner-Occupied	11,617	29,714	41,331	344,149	1,071,520
Renter Occupied	26,096	33,666	59,762	314,980	580,578
Vacant	5,626	6,792	12,418	71,501	118,534
Total	43,339	70,172	113,511	730,630	1,770,632
Percentage of Housing Units Occupied	87%	90%	89%	90%	93%
Percentage of Households Owner-Occupied	27%	42%	36%	47%	61%
Percentage of Households with Children	5%	17%	12%	27%	29%
<b>Average Household Size (2020)</b>					
Renter-Occupied Units	1.4	1.8	1.7	2.2	2.2
All Occupied Units	1.5	2	1.8	2.3	2.5
<b>Transit</b>					
Non-Auto Commuting Mode Share	70%	51%	58%	36%	18%
Total Percent No-Vehicle Households	50%	29%	37%	28%	15%

Source: Census Bureau, 2022 American Community Survey, five-year estimates.

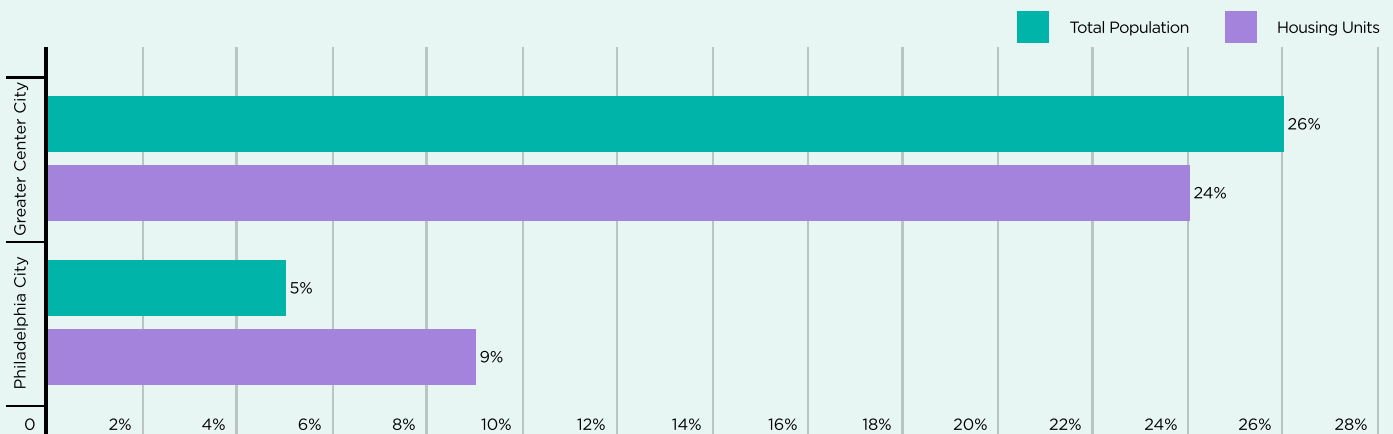


# New Supply

Center City’s fast-growing population has been reinforced with a growing supply of new housing units. The number of housing units grew in Center City by 24% from 2011 to 2022, closely keeping pace with population growth. Comparably, Philadelphia’s population grew by 5% and housing units by 9% in the same time period.

### Percentage Change in Population and Housing Units, 2011-2022

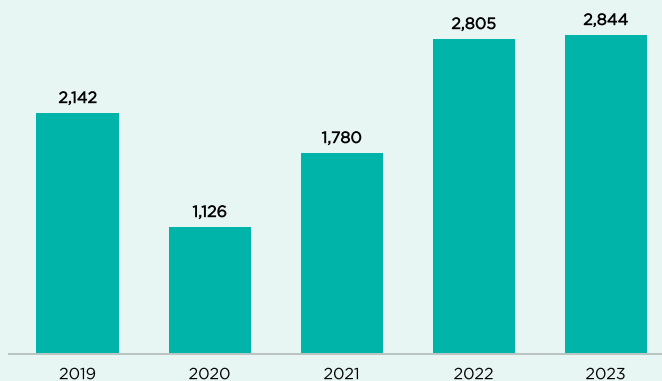
The number of housing units grew at a similar rate as populaton in Center City and is much faster than the growth in Philadelphia as a whole.



Source: Census Bureau, 2022 American Community Survey, five-year estimates

### Number of Completed Units by Year in Greater Center City

The number of new housing units in Greater Center City is the highest of the past five years.



Source: CCD Analysis of City of Philadelphia, Department of Licenses and Inspections Data

In 2023, almost 1,000 new housing units were completed in core Center City. An additional 1,800 units were completed in the extended ZIP codes, bringing the total of housing units completed in Greater Center City to 2,844, reaching a five-year high for the number of completed units. The projects completed in Greater Center City account for 37% of all housing units constructed in Philadelphia. In the adjacent ZIP codes north and south of Greater Center City, 2,075 units were completed, accounting for an additional 27% of all housing units.

The Laurel, developed by Southern Land Company, became the largest residential tower in Center City, standing 48 stories at the corner of Rittenhouse Square. Originally, the building was composed of 185 apartments and 64 condominiums; however, additional condo units have been converted to rental units. The Laurel features more than 43,000 square feet of retail that will house a Schulson Collective restaurant and Equinox, a luxury gym. The Jessup House at 123 South 12th Street with 399 units was also completed in 2023. Toward the Delaware River, LCOR’s Ryland at 1 Dock Street added 272 rental units to core Center City.

In extended Center City, The Carson, developed by RREI, added over 373 luxury apartment units at 6th and Spring Garden streets. Two blocks away, The Quincy from Arts + Crafts Holdings added 146 residential units. These completed projects, along with several others in progress, create continuity between Northern Liberties and Center City. Projects by Southern Land Company and National Real Estate Development on Spring Garden Street between 2nd and 5th streets will add over 600 units by the end of 2024. The densification along Spring Garden is enabled in part by zoning remapping completed by the city years ago specifically to encourage this scale of development. Promoting high-density housing and major retail tenants on wide corridors such as Spring Garden, Washington Avenue, and Broad Street allows Greater Center City to absorb significant population increases without displacing residents or disrupting the character of its many rowhouse neighborhoods.

1,011 units were completed with an additional 3,967 in progress or permitted in the ZIP code 19123, which includes the Northern Liberties and Ludlow neighborhoods east of Broad Street. The Piazza Alta developed by Post Brothers was the largest development project of 2023, adding 861 units spread between multiple buildings in phases. Directly north, in the ZIP codes adjacent to Greater Center City,

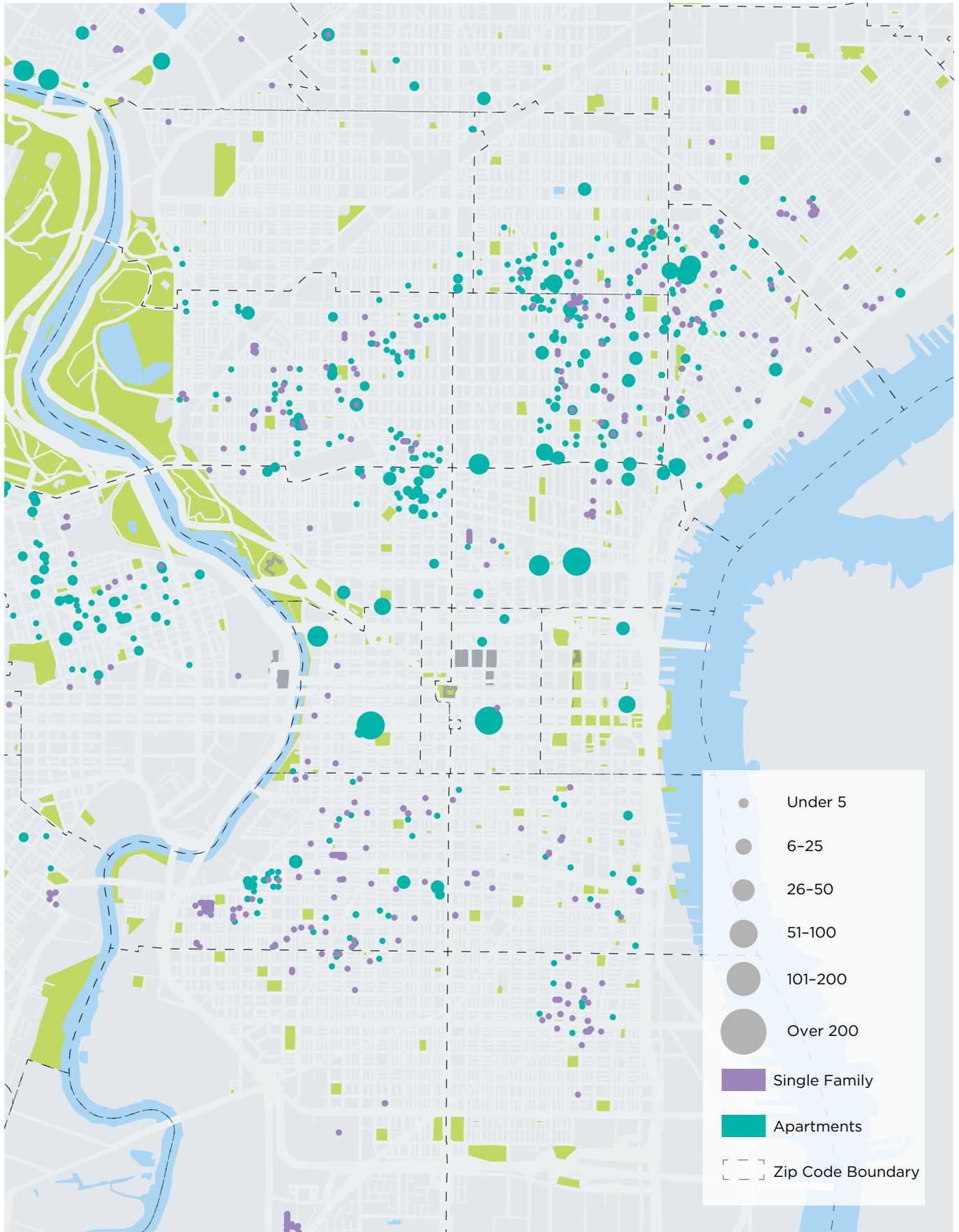
development is progressing along Girard Avenue, 2nd Street and Front Street in the Ludlow, Fishtown and Kensington neighborhoods. These areas have great access to Center City with connectivity through SEPTA's Market-Frankford Line and direct bus routes.

In the extended south ZIP codes, new construction has started along Washington Avenue. One Thousand One, located at Broad Street and Washington Avenue, will add over 1,000 new units with a large ground floor retail space, sitting on one city block. The project aims to connect the Avenue of the Arts with East Passyunk Avenue, becoming a gateway into core Center City. Most large multifamily housing towers include ground floor retail allowing diverse businesses to create a presence in Center City. Large-format retail spaces at the base of large projects are a crucial component of walkability, enabling supermarkets, pharmacies, gyms, and urban big box concepts to establish a presence in locations easily accessible without a car. The more these businesses proliferate, the less reliant residents need to be on cars. Projects currently under construction within Greater Center City will bring additional locations for Giant, Aldi, and Sprouts to serve the area's growing population.

Center City from Point Breeze neighborhood.



### Housing Completions by Area, 2023



## CONVERSIONS

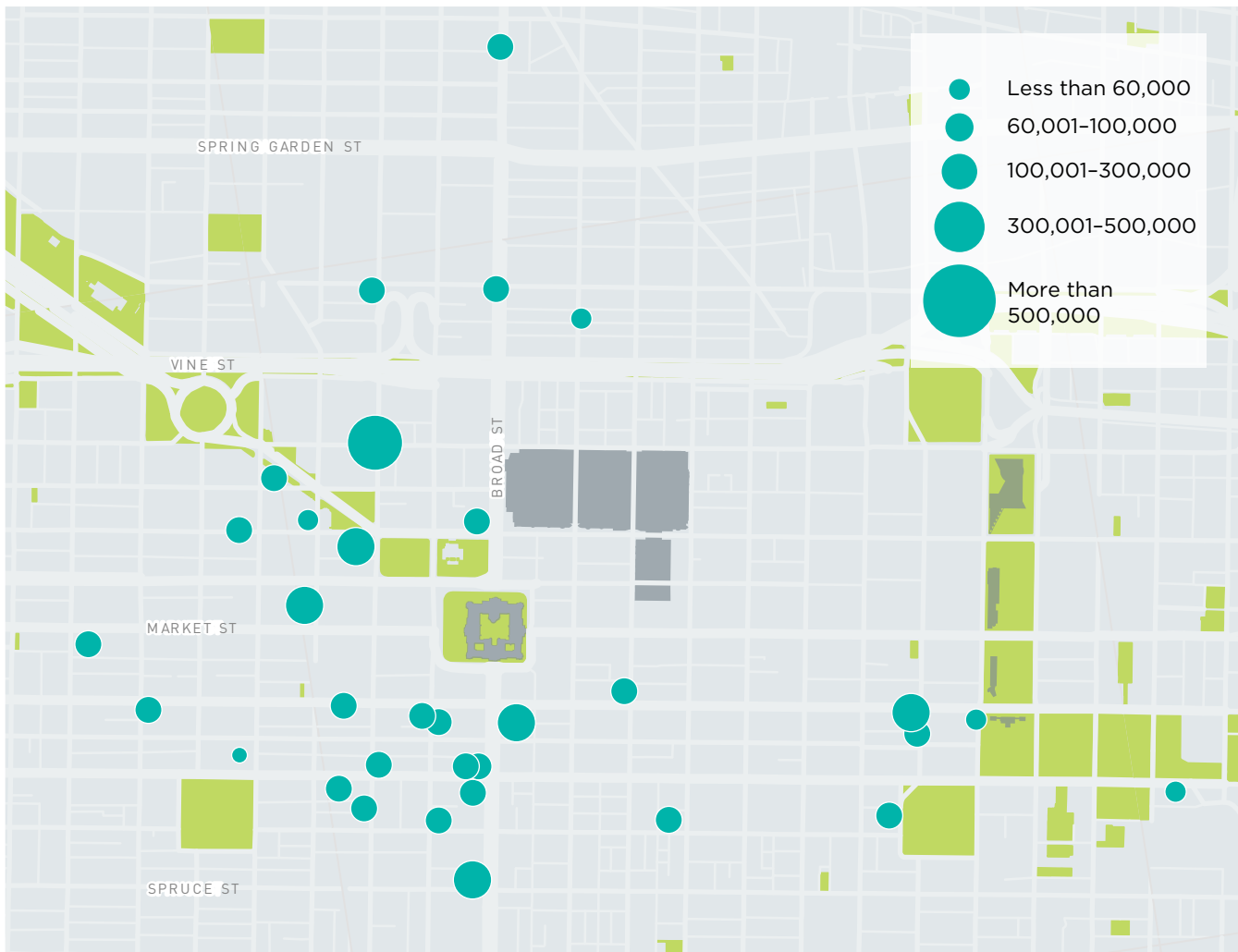
As the demand for office space shifts in cities nationwide, downtowns are grappling with the potential to transition office buildings into residential units. Philadelphia is a nationwide leader in office to residential conversions, with many developers taking advantage of the 10-year tax abatement.

In 2019, PMC Property Group transformed over 600,000 square feet of office space into 550 luxury apartments within Franklin Tower. Other notable office-to-residential conversions include a partial conversion of 479,000 square feet in the Public Ledger Building in 2020 and a 450,000 square feet conversion of office space to condominium units in 2000 at The Phoenix across from Love Park. Currently, Lubert-Adler is converting office space in The Bellevue to

include 200 units and renovating the hotel and retail space. Alterra Property Group purchased 1701 Market Street, the previous headquarters for the law firm Morgan Lewis, with plans to convert the building into 299 apartment units.

While conversions add new supply to the housing market, not all office towers are suitable candidates. Residential properties require access to plumbing, windows, and elevator infrastructure that most office buildings do not immediately offer. With many more straightforward conversions successfully completed over the last quarter century, future possibilities may be fewer and farther between, or come with greater cost and complexity.

### Buildings Converted to Residential Use Since 1997, by Square Footage



Source: Newmark

# Existing Supply

Greater Center City’s rental market has remained strong through the last three years.

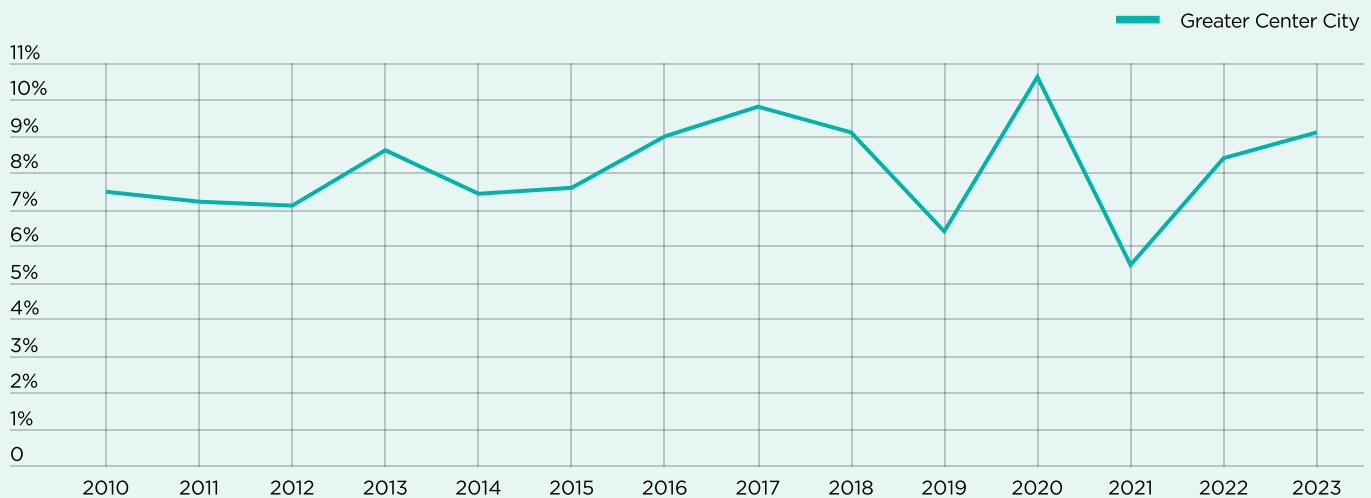
## RENTAL MARKET

According to Zillow’s rent index, which normalizes all rental sizes, rents have continued to increase, growing to an average of \$1,996 for Greater Center City as of November 2023. Core Center City rents remain higher than the average rent for the extended ZIP codes, though the gap between the two has shrunk as new Class A development continues in extended neighborhoods. CoStar, which tracks multifamily housing through Apartment List, reports a vacancy rate of 9.1% for Greater Center City. There is no significant difference in vacancy between the core and extended areas of Center City. The vacancy rate has remained stable over the last

decade, increasing slightly in 2020. As new units come to market, Center City might experience temporarily higher vacancy. However, Center City experienced positive absorption in 2023, which is a measure of net change in occupancy that accounts for new construction and demolition as well as move-outs and move-ins. While the amount of forthcoming supply is unprecedented and therefore creates some uncertainty as to future absorption rates, the overall trend even through the pandemic has been that absorption has accelerated as new supply has come online.

Greater Center City Multifamily Vacancy Rate, 2010–2023

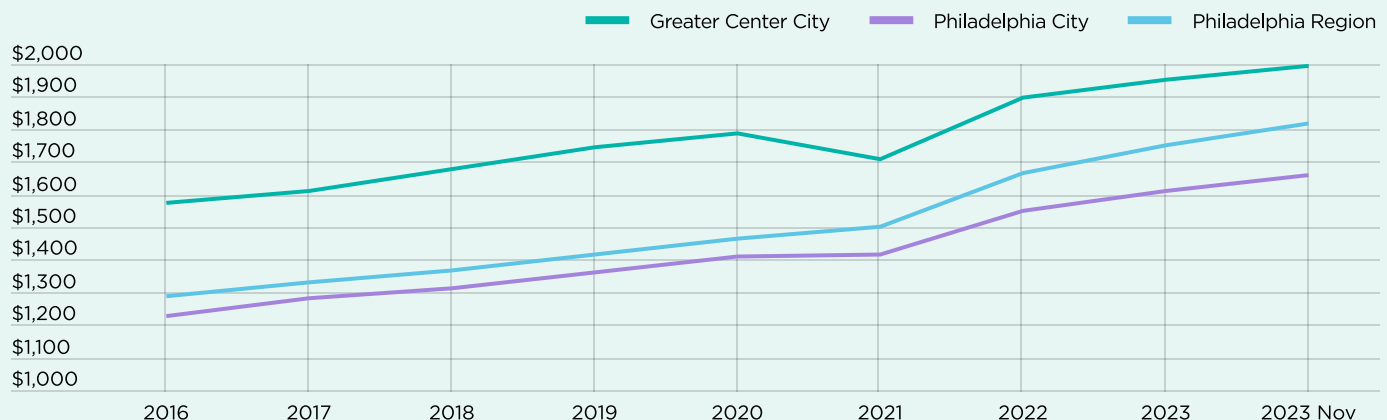
The vacancy rate has remained stable over the last decade, increasing slightly in 2020.



Source: CoStar

Zillow Observed Rent Index, 2016–November 2023

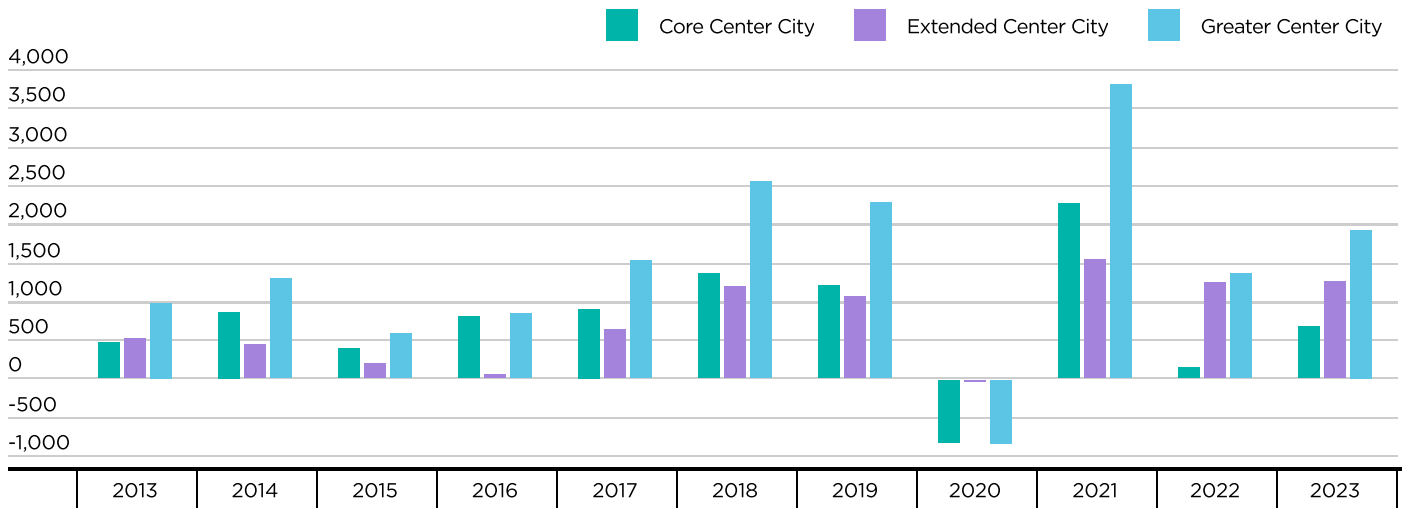
Rents have continued to increase, growing to an average of \$1,996 for Greater Center City.



Source: Zillow

**Net Absorption, Center City Multifamily Housing (Units)**

**Absorption is a measure of change that accounts for new construction, demolitions, move-outs and move-ins.**



Source: CoStar

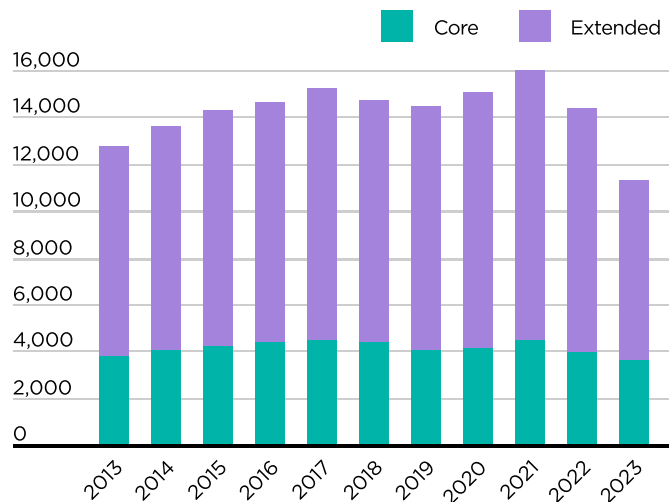
**FOR SALE MARKET**

The for sale market in Greater Center City has slowed since peak activity in 2021. According to Redfin, the number of home sales reached a total of 11,288 as of December 2023, a 22% decrease from the year prior. Zillow’s single family home price index suggests that Center City’s sale prices have remained relatively flat over the past five years. Though interest rates have decreased over 2023, rates remain high compared to 2019 and 2020. In 2024, rates are expected to decrease, which may increase the number of homes sold in coming years. For now, higher mortgage rates and relatively limited supply of homes for sale are factors bolstering the rental market. Given the wave of rental product coming online in the coming years, these barriers to entering the buyers’ market may also serve to strengthen the performance of the apartment market, driving would-be homeowners into luxury rental projects and helping to keep rental rates and absorption pacing strong.

Center City’s condo market faces challenges as the for sale market slows. Despite new condo units at The Laurel and the Arthaus condominium tower opening the year prior, condo construction has diminished in recent years.

**Number of Homes Sold in Center City, 2013-2023**

**The number of home sales reached 11,288 in Greater Center City in 2023, a 22% decrease from the year prior.**



Source: Redfin

## Affordability

Philadelphia's cost of living is lower than other large cities, especially compared to peer cities along the Northeast Corridor. In an analysis from RentCafe, a renter with a \$1,700 budget can afford just 200 square feet of space in Manhattan or 375 square feet in Washington, compared to over 1,000 square feet of space in some Philadelphia ZIP codes. Philadelphia's relative affordability is attractive to those moving from outside of the region.

However, 49% of Philadelphia renters households citywide are cost burdened, paying more than 30% of their income towards rent. Across the city, households with lower incomes have a higher rate of experiencing a cost burden. Philadelphia's affordability challenge reflects low incomes, rather than expensive rates. The median household income for Philadelphia is \$57,537 which is below the median for the largest cities of \$73,639. Within Greater Center City, PRDC Properties is constructing a mixed income housing project at 650 Fairmount Avenue offering 60 affordable units. On

20th and Chestnut streets, demolition is starting on the former Philadelphia Housing Authority headquarters. This will make space for a proposed multifamily rental building with mixed income housing with 60% of the units below market rate. Unfortunately, challenges with financing availability have stalled the construction of this project over the years.

With well designed public incentives, Philadelphia has the opportunity to add more affordable opportunities within mixed income developments in Greater Center City, so residents and workers at all education levels can enjoy the amenities and ease of access to 41% of the jobs in Philadelphia.

Center City from Northern Liberties neighborhood.



## LOOKING AHEAD

Despite challenging macroeconomic conditions, a significant change to the 10-year tax abatement, and a nationwide discourse on the pandemic's dismantling of urban life, Greater Center City and adjacent zip codes are continuing to see residential investment at unprecedented levels.

The thousands of units coming online in the next 12-24 months will bring more supply online concurrently than ever before, but recent absorption trends and the supply/demand balance observed in Greater Center City bodes well for the ongoing health of the market. Expansion of new rental options for higher-earning residents enables an ever-increasing share of the city's population to live within close proximity to the region's largest employment cluster, reinforcing Center City as a viable and preferred office market for its access to talent and the brevity of commutes. The proliferation of new apartment buildings also serves to expand the customer base for retailers while creating new spaces large enough to satisfy retailers underrepresented

or altogether missing from the local landscape. In this way, appropriately high-density growth is essential for creating healthy retail and office environments for residents and daytime workers. Sustaining net in-migration of residents while simultaneously taking steps to guarantee provision of affordable units should be a policy goal of city government as doing so supports the growth of the tax base, consumer spending, foot traffic and the increased safety and security that comes with it.

*This report was researched and written by Lauren Smith, Manager of Economic Development, and designed by David Orantes, Art Director. The report team also includes Jessie Brain, Manager of GIS; Amy Genda, Vice President of Strategy and Design; Prema Katari Gupta, President and CEO; JoAnn Loviglio, Vice President of Communications and Public Relations; Leo Manning, Director of Strategic Communications; Clint Randall, Vice President of Economic Development; Jimmy Salfiti, Retail Economic Development Manager; and Bonnie Thompson, Senior Director of Digital Marketing.*

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