

Philadelphia Inquirer, The (PA) Archives

About your archives purchase: Your purchase of **10** articles expires on **08/26/2019**. You have viewed **5** articles and have **5** articles remaining.

The rise (and rise) of Old City

Author(s): Alan J. Heavens INQUIRER REAL ESTATE WRITER

Date: April 24, 2005

It may be hard to imagine, but there was a time when no Philadelphia bank would lend you money to buy a house in Old City.

That's what Roger T. Prichard, then 26, discovered in 1976, when he needed \$20,000 to buy a \$25,000 four-story, 229-year-old house at Third and Race Streets.

"Apart from Elfreth's Alley, the townhouses on Appletree Court, and a couple of small-scale loft apartment conversions, no one lived in Old City," Prichard said. "To the banks, even \$20,000 looked like a bad investment."

Five years later, Carl E. Dranoff and Steven E. Solms set their sights on a six-story furniture warehouse at Third and Race Streets that they planned to convert to 97 loft apartments.

Even though he and Solms had several smaller conversions under their belts as Historic Landmarks for Living, no bank was willing to provide financing for what became known as the **Wireworks**, Dranoff said.

Instead, they got 30 investors to put up \$167,000 each in a limited financial partnership. Using historic tax credits then available - the 1899 building was the first industrial structure here designed by an architect - they got the project done. Studios started at \$375 a month, or "75 cents to \$1 a square foot," Dranoff said.

The **Wireworks** converted to condos in the mid-1990s. A studio there now sells for \$400 a square foot, "depending on condition," said agent Mark Wade of Prudential Fox & Roach. A one-bedroom unit is being advertised for \$290,000.

Meanwhile, on Front Street, a two-bedroom townhouse condo is being listed for \$499,000.

In less than 30 years, Old City has become a place where lenders compete to give you money.

The \$25,000 Prichard spent to buy his fixer-upper in 1976 is even more extraordinary when you consider that a space for a car at the new Parkominium at Second and New Streets costs \$35,000 to \$49,000.

The biggest leap forward, at least in property values, has occurred in the last decade, said Prichard, who now lives in Riverton: "I think that the people who bought my house for \$250,000 in 1994 thought they were pioneers, too."

The median price of a house in Old City was \$290,000 in 2004, according to an Inquirer analysis of more than 23,000 sales in Philadelphia of \$10,000 or more. The median price is the middle value - half of the houses sold for more than \$290,000, half for less.

As recently as four years ago, "some buyers were uneasy about spending so much money on a place in Old City," said real estate agent Bari Shor. "Those same people have watched the value of their homes double or triple."

Fred Glick, a mortgage broker and president of USLoans.net, said, "Lenders are beating each other up to get into the Old City market."

For many years, the issue in Old City was finding comparable properties, Glick said. "There was no problem if you were buying a house in Elfreth's Alley, but when the first condos came along, rules that Fannie Mae and Freddie Mac followed made condo financing virtually impossible."

One way to get around the rules was with a waiver request that required a \$50 fee and a buyer who put 20 percent down. Smaller down payments needed mortgage insurance, and the companies didn't yet want to get involved, Glick said.

These days, however, "lenders will do the first condo down the chute in any Old City project," he said.

Whether you plan to live in Old City or just own property there, return on the investment can be a paramount issue. Because as prices skyrocket, bargains are limited.

Denise Fike of Queen Village spent two years looking for a reasonably priced condo as an investment and to use as an office for her art business.

"Just about everything I saw was \$250,000 for 600 to 700 square feet, even in South Philadelphia," she said. Finally, she found a 406-square-foot, one-bedroom unit in a 16-year-old condo building for \$137,000.

Her experience isn't exactly typical.

Laurianne Warren bought a condo at the **Wireworks** for \$70,000 six years ago, "which I think was just at the end of the days when things were still cheap," she said.

After five years, Warren sold it for \$230,000 and bought "the largest one-bedroom unit in Old City - 1,800 square feet at Second and Race Streets - for \$365,000."

"If I sold it today, after a year, I could get more than \$500,000 for it," she said. "But I don't want to leave this neighborhood."

It was once an area that emptied out at night, but Old City's resident population has increased slowly and steadily, from 225 in 1970 to 2,650 in 2000, according to the Center City District.

But population figures don't provide as accurate a picture of who lives in Old City as the district's study of household growth over those 30 years.

The 2000 population of the neighborhood was distributed among 1,748 households, indicating that one- and two-person living arrangements dominated.

"Most of the people I sell to are singles or newly marrieds," said Shor. "Since Old City has few single houses, you can't easily move up from an apartment or condo and stay in the neighborhood."

That's starting to change. Matrix Development Co. and K. Hovnanian Co. are jointly developing the National on Second Street between Arch and Race Streets, which will offer townhouses in the housing mix.

Still, the growing number of players in the Old City market appear to be focusing on condo development.

Brown/Hill Development recently completed a 12-story, 30-unit luxury condo high-rise called Old City 108, at 108 Arch St. Prices range from \$400,000 to \$1.6 million-plus. Only two units are left, each listing at more than \$1.6 million.

The company expects to begin construction later this year on Old City 205, another luxury tower, at 205 Race St., near the Ben Franklin Bridge.

Condos are hot everywhere in the country, said Economy.com's chief economist, Mark Zandi. And Old City's landscape seems ideally suited to them.

In addition, Zandi said, there are underlying demographics - empty-nesters, especially - that are changing where and how people live, and that have helped make the condo market preeminent in the city.

Old City is where Philadelphia began, and for the first 150 years it looked very much like Elfreth's Alley, with residents working and living in the same low-rise buildings. But the city began moving out in every direction after 1800, and the neighborhood took on a commercial and industrial look.

"When I moved here, almost all of the buildings that have since been converted to condos and apartments were being used to some extent for commercial and manufacturing enterprises," Prichard said.

There were a couple of art galleries and a colony of artists attracted by cheap rents in some of the loft buildings, he said, but "the artists began leaving as soon as the developers started coming in."

There have been, and continue to be, growing pains. Prichard, who served on the Old City Civic Association for the years he lived in the neighborhood, believes that the battles he and other residents fought, whether they won or lost, made for a better Old City today.

Developers, too, have learned that to get on the gravy train, they have to pay attention to the people who live there. Steven M. Patron, who oversees the National project, said previous proposals for the site failed because those developers didn't heed the neighbors.

Though Prichard left Old City for New Jersey 11 years ago, he still can't forget it. "I'm still coming back to get my hair cut."

Contact real estate writer Alan J. Heavens at 215-854-2472 or aheavens@phillynews.com. Read his recent work at <http://go.philly.com/alheavens>.

PUBLICATION: Philadelphia Inquirer, The (PA)

EDITION: ADVANCE

Section: REAL ESTATE

Page: J01

Technical problems: If you have a technical problem with your account please e-mail newslibrary@newsbank.com.

Copyright (c) 2005 The Philadelphia Inquirer