

Rittenhouse Square keeps on thriving

The Square is riding out the slowdown in style. High-end retailers and developers continue openings around the Rittenhouse area.

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May 4, 2008

Source: The Philadelphia Inquirer

Philadelphia's Rittenhouse Square may conjure many images: A "mini-Central Park," a pricey sliver of green heaven in the city, a luxury shopper's paradise.

These days, a slowdown in the economy across the region and nation may reinforce another image of the square's place in Philadelphia: economic oasis.

Nearly a dozen high-end retailers and developers are charging ahead with plans to open or build in the high-rent neighborhood. Last week, the developer KIMCO Urban Redevelopment Venture of New York unveiled plans for the historical 1805 Walnut St. building - home to the Barnes & Noble bookstore directly across from the park - after buying the nine-story building from ARCWheeler for \$25.5 million. Mallin Panchelli Nadel Realty represented ARCWheeler on the sale.

KIMCO said it had commitments to add an Elizabeth Arden Red Door Spa on the fourth floor and luxury condos overlooking the famous park on the top five floors, according to Shaun Lyons, the broker who represented KIMCO in the deal.

The 1805 Walnut announcement followed a string of high-end retailers that have moved in, launched projects, or announced plans to move to the Rittenhouse Square area.

Wrapped around the Barnes & Noble building and facing 18th and Walnut Streets is the project being called 10 Rittenhouse - a luxury condo tower that's expected to be completed by mid-2009.

A 31-story, 29-unit ultra-luxury condo tower on 1706 Rittenhouse Square St. is well under way.

A vacant lot formerly owned by the Philadelphia Parking Authority at 19th and Walnut was acquired by Castleway Property L.L.C., an Irish developer, for \$36.7 million last year. Castleway says it intends to build a hotel and residential tower there.

Rittenhouse Square long has been a prosperous spot in the heart of the city, thriving sometimes in contrast to other neighborhoods where residents and businesses may struggle with the vagaries of the economy, crime and population loss.

The Center City Residential Association defines the Rittenhouse Square area as stretching from South Street to J.F.K. Boulevard, and from Broad Street to the Schuylkill.

But the immediate area around the square is the crown jewel, which often prospers no matter what happens elsewhere. If there is a recession, you'd never know by the level of activity in the area.

"Rittenhouse Square is the long-standing most desirable neighborhood of Philadelphia," said Paul R. Levy, president and chief executive officer of the Center City District.

It stands out in the city as "far less affected by" the national downturn than other cities, Levy said. "Of the 10 largest metropolitan cities last year, Philadelphia had the lowest foreclosure rate."

The 1990s brought a residential resurgence with the conversions of hotels, such as the Warwick and the Rittenhouse, into luxury condos.

Lyons, a managing partner at Precision Realty Group L.L.C., which has an office at 1701 Walnut, said Rittenhouse Square continued to be a prime target for developers.

"Philadelphia has been an under market for so long that it's now attracting investors from New York and abroad," Lyons said, referring to Center City generally and Rittenhouse Square in particular. "They are moving to Philadelphia - either acquiring assets here and sometimes leasing space."

Levy said there were several factors working in Center City's advantage and fueling Rittenhouse's strength: stable job growth downtown, particularly in the office, health-care and education sectors; a high owner occupancy level; and an influx of educated, middle- and high-income residents.

"This means the demand for downtown housing is strong and sustainable compared to the national trend," Levy said. "We are clearly slowing down much more slowly than other places, and units are getting bought."

Tom Scannapieco, the developer of 1706 Rittenhouse Square, a condo tower under construction, said a third of the 29 units had been sold. Most start at \$4 million.

"If you're going to do a project aimed at the top of the market, this is the only location that we would consider," Scannapieco said.

The condo market for Rittenhouse Square has been remarkably stable, said Kevin Gillen, a Wharton research fellow and vice president of Econsult Corp., a consulting firm.

Gillen said volume - the number of condo units that changed hands - was up this past winter from a year previous, which was rare, "considering the catastrophic news we keep hearing."

Gillen, who also cited Washington Square as a premier living spot, said the price per square foot at Rittenhouse Square starts at \$700 and goes over \$1,000. By comparison, a condo in Northern Liberties goes for about \$200 to \$400 per square foot. An existing rowhouse goes for about \$115 per square foot.

"No matter how tough the market gets, if you can hold on to land at Rittenhouse Square, you'll be fine," he said. "It's really a unique urban American space, and the fact that it is not large is really what helps it retain that cache of attractiveness."

The park's ambience is what sold Sandy Phillips, who moved from Chadds Ford, Delaware County, six years ago to 19th and Chestnut.

"Rittenhouse Square is socialization," the 57-year-old artist said as she walked her Jack Russell terrier last week across from the Barnes & Noble. "You never have to make plans for the day because you always run into someone that provides an opportunity for that day."

The retail sector is also bustling. Lyons, the real estate broker, said he had worked on \$150 million in acquisitions on KIMCO's behalf over the last two years, including 1401 Walnut, occupied by Banana Republic; 1429 Walnut, home to Armani Exchange; and 1628 and 1701 Walnut Street.

Walnut Street now fetches the highest retail rental rates in the city, about \$90 to \$150 per square foot, Lyons said.

Last week, Les Schwartzberg, 61, owner of Les Richards Menswear, unveiled a new store at the Shops at Liberty Place at 17th and Chestnut. He has another store in Poughkeepsie, N.Y., and said he considered only one location in Philadelphia.

"I think this is where the city is growing right now," Schwartzberg said.

Rich Harkins, 64, a retired airline executive, moved from Islesboro, Maine, to 19th and Spruce last November.

"There is a renaissance," Harkins said as he walked through the square to a bakery and butcher with his pugs, Lucia and Mooshka. "A lot of people find living in the city exciting and buying your groceries on foot exhilarating."

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