
Emerging Market Report

Callowhill

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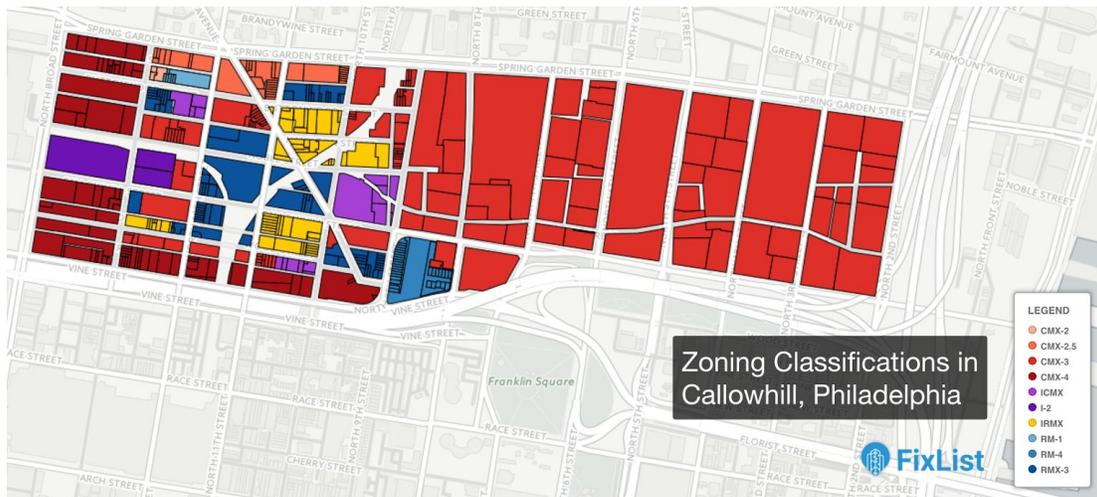
June 20th, 2017



Overview

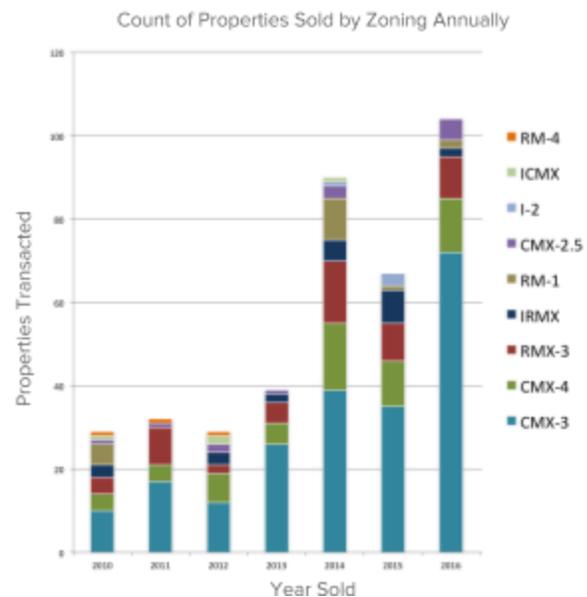
In the 1980s, Callowhill was an industrial wasteland (the inspiration for David Lynch's dystopian [Eraserhead](#) film), cut off from Center City by the Vine Street Expressway and the defunct Reading Railroad Viaduct. Fast forward to 2017, and Callowhill's population is rapidly changing thanks to [rezoning for denser residential use](#) and its enticing half-mile proximity to the heart of downtown and some of the hottest neighborhoods like Midtown Village and Northern Liberties.

As of 2014, 40% of the neighborhood's residents were concentrated west of 10th Street, though development is now steadily pushing east, with Arts + Crafts Holdings laying roots along 10th Street and the forthcoming Yards Brewery and Target setting up shop at 456 N 5th Street.

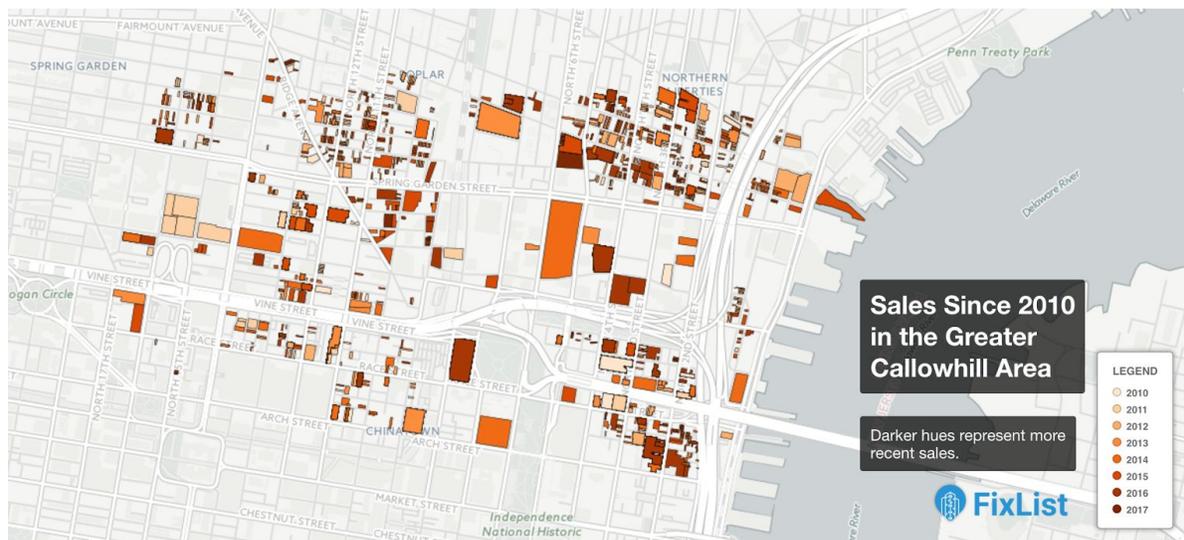


Sales

Property sales in the Greater Callowhill Area saw an almost threefold increase from 2010 (150 properties) to 2015 (440 properties), the vast majority of which were high-density zoning classifications (CMX-3 and CMX-4). This reflects both the volume of residential condo units transferred, as well as properties purchased for redevelopment. Known commercial sales and investment activity include the pending sale of the Callowhill Center at 413 N 7th Street (185,000



square feet); the Q2 2017 trade of 449 N Broad (9,200 square feet, DaVita Dialysis Clinic) for \$435 per square foot to “Frankford Avenue Properties;” the Q1 2016 refinance of 417-425 N 8th Street (101,000 square feet, home to coworker group Ventureforth, among other tenants); and the Q4 2015 sale of 401 N Broad (339,000 square foot data center) for approximately \$9.9 million.



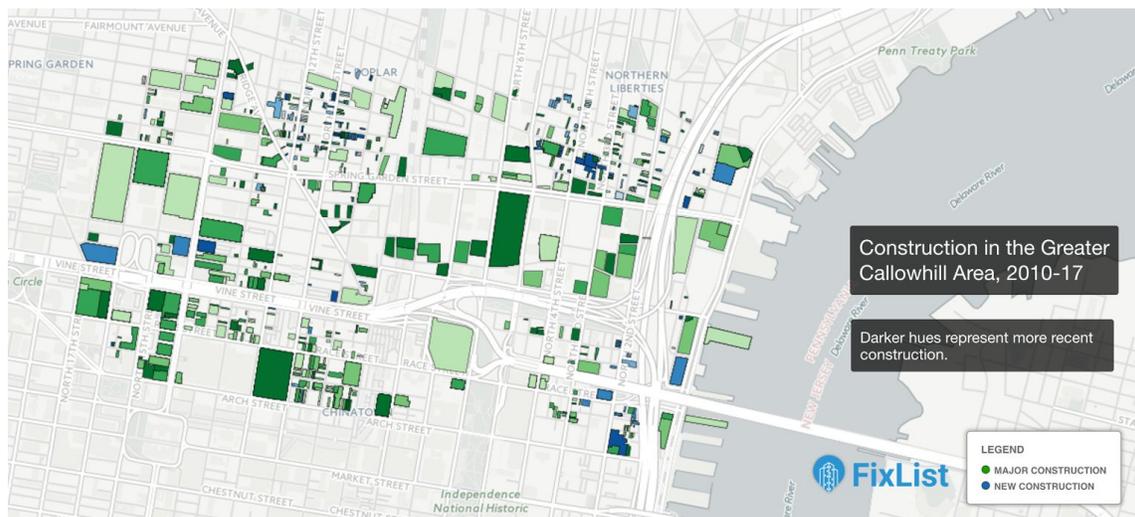
Leasing Environment

Approximately 3.9 million square feet of office space exists within in the Callowhill area, 2.5 million square feet of which is likely suitable for opportunistic investors. In Q1 of 2017, CoStar data suggest that 19.2% of office inventory was vacant and available, averaging around \$21 per square foot in full service asking rents. Pioneering office tenants continue to flock to the neighborhood, including Limebox Networks’ 2,500 square foot lease at 448 N 10th Street, signed Q1 2017; EducationWorks’ sixth floor lease at 990 Spring Garden, signed in Q4 2016 after a relocation from Germantown; Boco’s 6th floor lease at 990 Spring Garden, signed in Q2 2016 following a relocation; and Azavea’s 22,000 square foot lease at 990 Spring Garden, signed in Q4 2015 after a relocation from the Wolf Building within the Callowhill area.

In the multifamily space, four investor-owned projects currently exist or are underway in Callowhill, including: 444 Lofts, a 136-unit building owned by Orens Brothers; The Edwards Building, a 100-unit project at 314 N 12th Street; Goldtex Apartments, a 163-unit building delivered by The Post Brothers in 2013; The Packard Motor Car Building, a 157-unit building owned by Reinhold Residential; and Hanover North Broad, a 339-unit, under-construction project by The Hanover Company. Apartment rents range from \$1.50-\$2.50 per square foot according to CoStar and AxioMetrics data. Notable multifamily projects in the pipeline include Eastern Tower at 10th & Vine (143 units), 900-934 Callowhill Street (146 units), and 309-315 Callowhill Street (450 units).

Construction

In 2016, the number of permits doubled year-over-year, a response to the rapidly increasing development pressure from the neighborhood's periphery and the promise of the first construction phase of The Rail Park, a 0.25 mile stretch of the 3 mile Reading Viaduct that cuts through the middle of the Callowhill neighborhood. Still, there is over 400,000 square feet in undeveloped land on parcels with no structures and no construction permits for future work. This land area represents up to 1.9 million in developable square feet by right and an additional 1 million square feet with FAR bonuses, for a total of more than 2.9 million square feet of opportunity to participate in the resurgence of the neighborhood. There is even more undeveloped land in the form of large parking lots on plots where buildings currently reside.



Demographics

The changing demographics in Callowhill are favorable for the ongoing redevelopment of the area into a residential and 21st century office district. Callowhill's population grew 30% between 2010 and 2014, almost three times faster than Center City as a whole (Washington to Girard, river to river) and ten times faster than Philadelphia citywide. In addition, as of 2014, working professionals (between the ages of 25-44) and students (ages 18-24) made up almost 66% of Callowhill's total population compared to 57% across Center City. This trend is particularly significant as young, talented Millennials are a key driver of today's office and rental housing markets. Within the 25-44 year old demographic, the neighborhood experienced a 36% population increase between 2010 and 2014, significantly higher than the 6% increase within this

demographic citywide. The neighborhood's median income also increased 15% during this time period. Large institutions such as Hahnemann Hospital and Temple University represent anchors for a long-term, stable pipeline of tenants for rental properties and are some of the key ingredients seen in Innovation Districts around the country, a model that has potential in Callowhill.

Outlook

Center City's ongoing expansion, Callowhill's proximity to the core of the central business district, and the neighborhood's changing demographics make it a real estate market worth exploring for opportunistic investors. Industrial structures suitable for creative office and loft-style apartments, coupled with ground-up development in-fill sites in proximity to The Rail Park, provide a plethora of opportunities for pioneering developers and investors. We anticipate continued, ongoing interest in both residential and office development in this fast-emerging neighborhood.



More Information

This report was co-authored by analytical teams at [JLL](#) & [FixList](#). FixList is a real estate data analysis company that offers tools and services to help lenders and developers find and evaluate opportunities that meet their preferences, whether or not they are actively for sale. For more information, go to <https://www.fixlist.co> or sign up for the [FixList Newsletter](#) to receive future reports. Analysis for this report was conducted by FixList and JLL using data from the City of Philadelphia, the Census Bureau, Costar, and Axiometrics. For additional information & analysis, contact Stacey Mosley at mosley@fixlist.co and Lauren Gilchrist at lauren.gilchrist@am.jll.com.