



HAROLD WHEELER WITH A MODEL OF 10 RITTENHOUSE SQUARE.

FOREVER *Young*

Empty nesters looking for more than the tranquility of the 'burbs are flocking to Philadelphia in significant numbers. As a new \$250 million high-rise shows, there's much at stake.

By Scott Edwards Photography by Jared Castaldi

It should come as no surprise that Baby Boomers are fueling one of the most lucrative segments of the real estate market today. As their children grew into adulthood and moved out of the family home, they, too, began considering the next phase of their lives. And, in many cases, it included simplifying their living situations.

Seemingly overnight, over-55 residential communities began to spring up by the handfuls across Bucks County and well beyond. They were the perfect solution for municipalities that perhaps grew well beyond their means during the nineties because they added tax revenue without further burdening the school systems.

But, if Baby Boomers have taught us anything, it's that retirement is meant to be savored, not squandered. So, while many are content downsizing to a new age-restricted corner of the neighborhood, a more adventuresome minority has gone in search of activity more befitting their newfound liberation.

They are landing in Philadelphia. Center City, to be exact. And they are arriving there in numbers large enough to force developers who have built

their careers around catering to the demographic over the last decade to take notice and begin to shift at least part of their at-

attention away from the suburbs.

At the forefront of this field is the firm ARCWheeler, a joint venture between ARC Properties, Inc., of Clifton, NJ, and the Philadelphia-based Wheeler Brothers, LLC. ARCWheeler is particularly unique because it was founded in 2003 in direct response to the growing number of empty nesters who were moving into major cities, namely Philadelphia.

On an overcast early March morning, I sat down with Harold Wheeler, a managing principal with ARCWheeler, in a conference room at the firm's Center City office. As he put into perspective the significance of the population shift and what exactly is at stake, activity bustled around the company's crown jewel, visible through the wall of windows to my left, several floors down.

Five stories into its construction, at the time, 10 Rittenhouse Square is a 500,000 square foot, \$250 million mixed use high-rise that was designed by the world renowned Robert A.M. Architects. Slated for completion next spring, the luxury condos that comprise the building's eventual 33 stories mark the city's boldest venture into the over-55 housing market.



Much of your success depends upon your ability to accurately track trends. When did you first notice the influx of Baby Boomers to Center City?

The whole business of Baby Boomers moving into urban environments is not something that happened in the last couple of years. It's been ongoing for the last decade to some extent. But, the Baby Boomers are hitting their peak in terms of wealth. I think it started probably eight years ago. If you look at what's happening out in the suburbs, empty nesters there have two choices: they can go to Florida, which is what's been happening for decades, or they can move into an urban environment. And, up until recently, Philadelphia has not been a choice that's been acceptable to them. There hasn't been the infrastructure here. The Rendell administration brought it back to Philadelphia. That, combined with the fact that there's a natural push for people to leave their single-family homes in the suburbs, has really made a big difference. For us, it's like the stars have aligned because we have the best residential real estate in the city.

What specifically changed in Philadelphia's landscape that it suddenly became more enticing to Baby Boomers?

If you walk down Walnut Street, for example, I think it tells the whole story. If you go from Rittenhouse Square to Broad Street, you can see all the new restaurants that have come in there, all the new shops. It's magnificent. The Kimmel Center is a magnificent facility. The [Opera Company of Philadelphia] is now at the Academy of Music. There's all kinds of things that are going on now that just weren't back in the nineties. I'm from the suburbs of Philadelphia

originally. When I first came back in the early '90s, to put it into context for you, I was shocked when I walked through Rittenhouse Square. People were dealing crack cocaine. People were passed out. The Rittenhouse Hotel was a big vacant building. Baby Boomers today, if you turn the clock back a decade, aren't going to come to town for that. During the nineties, we experienced this vast rebuilding of the infrastructure. When I say infrastructure, I mean all the services that people want — the restaurants, the arts and the safety. That came back and it made all the difference in the world. It made Philadelphia a talkable, viable situation for someone thinking about new housing.

Could you put this shift into the context of the greater movement taking shape with Baby Boomers? Phoenix, for example, last year surpassed Philadelphia as America's fifth largest city because the influx of Baby Boomers has been so dramatic.

Folks have begun looking in places other than Florida. And that's new, candidly. That phenomena, together with going back to the cities, has been the change over the last decade. I think previous to that it was really pretty much go to Florida. My parents, my parents' parents, that was the option. The choice was 'Okay, I'm going to keep my home in Bryn Mawr and I'm going to spend three or four months out of the year in Florida.' I don't think that's changed. I think what's changed is rather than keep my home, I'm going to move into the city. That'll be my primary home and I'll still go to Florida for three or four months out of the year. Now what's happening in Philadelphia is being considered as a primary home for that particular demographic. That's a big shift.

"There is a segment of the population that will go into a 55-and-over community and feel comfortable there. But there also is a segment that's lived in the suburbs and elsewhere that thinks of themselves as being much younger.

That's — percentage-wise — picking up."

This shift, as you said, did not happen overnight. When do you see it peaking?

I don't see it peaking any time in the near future. I think there's more pressure for people to move into town. I think that whole business of empty nesting has just started. It's in its infancy, so to speak. I think what's slowed things down now is the ability to execute is unavailable to them. People have to sell something to buy something. If you can't sell anything, no matter how much pressure there is, you're going to sit in your house on two acres until you can. And, I think, if anything, that's what's slowed down migration into the city. It's not the fact that demand's not there.

So, you see the presence of an infrastructure as the great catalyst here. But, when so many over-55 communities are being built in the suburbs, what is going to sway Baby Boomers to move into the city when they're likely to encounter a higher cost of living and more taxes there?

There's a couple ways to look at that. One is, how active is the adult? The city's not for everybody. I'm not suggesting that. I think there is a segment of the population that will go into a 55-and-over community and feel comfortable there. They just won't even think about going into the city at all. And that's never going to change. But there also is a segment of the population that's lived in the suburbs and elsewhere that thinks of themselves as being much younger. They want to go out and they want to walk and they want to go to all of these things. That's — percentage-wise — picking up. And that's our deal.

Philadelphia is second only to Miami among the country's major cities in the proportion of residents who are 65 and over. The aging of the population, according to a report by the Brookings Institute on the 2000 census, is more the result of the city's limited success in attracting newcomers among the 25- to 34-year-old demographic. Why has there been better success with Baby Boomers?

We may lose that segment for whatever reason, but there's a loyalty to this city that goes beyond most cities. There's history here. There's generations of families here. Typically, when people get older and their careers are already in place, it becomes more of a viable option for people to come back here. We see a lot of that. Maybe 20 percent of our sales are people who were born here or raised here, left for whatever reason, missed it and wanted to come back. Up until recently, it wasn't an option.

Let's talk specifically about your plans for ARCWheeler. With Baby Boomers your focus, what sort of properties are you looking to develop?

We have two primary projects. We have 10 Rittenhouse, which is our first venture into this particular business. It, again, follows the demographics. We think housing for people in the 50-plus age range is going to be very much in demand, short of a terrible economy, which, obviously, is happening right now. But we think it's cyclical. We see this as a 15-year horizon. We're also about ready to announce a project in Baltimore, in the Inner Harbor, which will be mixed use like 10 Rittenhouse, but it will have more of an office component to it. We feel comfortable with that. Obviously, in today's age, you have to be very careful because there's a thermometer out there that goes beyond demographics. It's economic in nature. There's going to be a period of observation before we do a lot of new stuff.

Both of the projects are tied together by the "10" brand, which seems to be an effort to align all ARCWheeler projects in a single long-term vision. Could you tell me about the concept?

We thought long and hard about 10 Rittenhouse. What do we call this thing? It became clear to us that the best thing that you could do when you have a great property is basically call it what it is. It denotes a very high-end, luxury product. And that's really what we do. So, we've taken that show on the road to Baltimore with 10 Inner Harbor. Now, we're looking at taking it further. We're looking at doing a hotel brand called "10 Hotel." That's still in it's infancy, and we haven't done one yet. But we're hoping to next year. Again, it will denote a very high-end, very high-quality situation. •