

Soaring Above the Crisis



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The developers
of 1706
Rittenhouse beat
the odds and
succeeded.

Dark clouds hovered above their 31-story Center City tower Thursday morning while developers Tom Scannapieco and Joseph and Robert Zuritsky were walking on air.

Their \$145 million 1706 Rittenhouse Square Street luxury condo project - the one just about everyone predicted would never get financing, or would never be built, or would never find enough deep-pocketed buyers - had succeeded in confounding the oddsmakers.

If the trio high-fived it at any time Thursday, they did it verbally in an interview before they rode a construction elevator with scores of guests for a "topping-off" ceremony on the 28th floor.

"What the building is saying is significant," said Scannapieco. "Not many cities are able to sustain a high-rise building of high-end, full-floor units, nor can many developers find financial backing necessary to build one.

"The fact that we have just 15 units left, even in such difficult times, is remarkable."

The \$12.5 million penthouse has been under agreement for months. More than 50 percent of the remaining, primarily single-floor, 4,200-square-foot units, which start at \$3.9 million, have been sold.

"What 1706 does is set a precedent, and future development will try to capture this market," said Joseph Zuritsky, who is also president of Parkway Corp.

Here in "not-New York" Philadelphia, the three developers readily agreed, there is a limited market for this highest of high-end housing.

In fact, Scannapieco said, their research showed perhaps 2,000 people in this metropolitan area with a net worth in excess of \$10 million who could afford to live in condos as pricey as the ones at 1706 Rittenhouse.

The residential market's upper end is also the toughest sell - continuing fallout from last year's collapse of the financial system. For homes in the region priced at \$2.5-million-plus, there was 122 months' worth of unsold inventory in the second quarter, according to economist Jeffrey Otteau, of Otteau Valuation Group in New Brunswick, N.J.

Building big in the city remains wildly expensive.

Though Philadelphia construction costs are below New York, San Francisco, and Boston and equal to Chicago, home prices and rents here average much below the others, said Econsult Corp. economist Kevin Gillen.

"That is the economic rationale for the 10-year tax abatement," Gillen said. "It helps bridge the gap between what it costs to build and what you can sell/rent the finished product for, hence making a lot of projects viable that otherwise wouldn't be."



People want to live in the city, said Sam Sherman, president of the Building Industry Association of Philadelphia. "We just need to get through this tough time."

Through the real estate boom, and then through the bust, the developers of 1706 Rittenhouse pushed the metaphoric rock up the hill to completion.

The project was delayed two years when neighbors objected to a 31-story view-blocker and feared the work would undermine adjacent structures. The siting of the building was shifted from the street line to the middle of the lot, and the foundations of neighboring

buildings were reinforced to secure the four zoning variances needed to begin construction.

Work on 1706 Rittenhouse started in December 2007, just as the recession was being officially declared. As banks squeezed credit, the developers watched as competing projects such as Mandeville Place and the Waldorf Astoria were shelved.

In these still-uncertain times for the economy, who are the buyers at 1706?

Most now live outside the city. Most have that \$10 million net worth. All say they wouldn't have bought without a Rittenhouse Square location, parking, and the privacy single-floor living affords.

Most are prominent donors to and board members of cultural organizations. Many have charitable foundations.



"I've wanted to move to Center City for 36 years," said Dolores Miller of New Hope, who bought the eighth-floor unit and brought her interior designer, Mary Ann Kleschick of Philadelphia, to Thursday's topping-off proceedings.

Scannapieco said Miller, a poet, and her husband, Larry, were the first buyers at his Waterworks luxury condos in New Hope in the late 1980s.

Miller said she planned to put her suburban home on the market in the fall.

Daniel Neduscin, who has spent the last 22 years buying and redeveloping properties in Manayunk, was the first to buy at 1706. His company, Neduscin Management, has annual estimated revenue of \$1 million to \$2.5 million.

Standing with Scannapieco on a balcony, Neduscin told the developer he was not trumpeting what makes 1706 "special" loudly enough.

"The things you offer here are not available elsewhere in Center City, and that should be your emphasis," he said.

The change in Center City real estate that 1706 Rittenhouse represents is not lost on architect Gerald Cope.

Looking out a window to the street below, Cope - whose firm, Cope Linder, designed 1706 - recalled that his first apartment in Philadelphia had been nearby, at 1717 Rittenhouse St.

"I've gone from rags to riches," he joked.



By the Numbers

Cost: \$145 million

Stories: 31

Price range:

\$3.9 million to \$12.5 million

Unit size: Single-floor, 4,200 square feet (one floor has been divided into two units)

Penthouse: Floors 30 and 31, 8,444 square feet

Windows: 825

Concrete poured: 16,000 cubic yards

Reinforcing steel: 2,000 tons

Balconies per unit: Two

Underground parking: 45 feet below the street, automated, 64 cars

Elevators: Three high-speed

Ceilings: 10 feet

Fitness center: 42-foot lap pool

Occupancy: Spring 2010

Units sold: 16

Available: 15