



Upscale apartments are booming in Philly's suburbs

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by Caitlin McCabe

They gather on Bridge Street on Thursdays and Fridays, millennials and baby boomers bustling in and out of the Steel City Coffee House, Molly Maguire's Irish Restaurant and Pub, and the other restaurants, breweries, and boutiques that have inundated Phoenixville.

Yards away, residents come and go from a lavish new four-story apartment building set along the main drag, hosting friends inside the rental complex adorned with lounges, fire pits, and an exclusive theater before heading out for the local nightlife.

It's quite a change. For decades, small suburban towns epitomized the American Dream. Built on the fortunes of manufacturing or education and other service industries, places such as Phoenixville and West Chester, among others, offered lower- and middle-income people the chance to buy modest homes, find decent jobs, and settle into stability away from the city.

Now, many of these communities are rapidly revitalizing. Old manufacturing sites and undeveloped acres have been transformed into thousands of new apartments outfitted with amenities galore, with rents that some towns have never seen before.

Across the suburbs, upscale apartments are going up at an astonishing rate. Nearly 7,000 new units are either in the pipeline or under construction in Phoenixville, Upper Merion, Lower Merion, and West Chester alone. Even more specifically, neighborhoods including King of Prussia, Ardmore, and Bala Cynwyd are seeing unprecedented apartment growth.

"What's happening out there right now is incredible," said Michael Perrone, director of West Chester's building, planning and zoning department. "It's almost like the reverse phenomenon of the city 10 years ago, when millennials wanted to move into the city. Now, it's happening in the suburbs."

Priced from \$1,000 a month for a studio to nearly \$3,000 for multibedroom units, the new apartments are flooding in as demand increases, observers say. Suburban communities can give apartment hunters what urban life can't: cheaper taxes, better schools, more square feet per dollar, and walkable downtowns without the city's hassle.

As a result, baby boomers, millennials, and divorcees are flocking to these new projects, developers say, lured by convenience to jobs with employers such as GlaxoSmithKline and Main Line Health.

But along with the changing landscape comes the decades-old debate about gentrification and affordability.

“These [apartments] are immediate good things that are happening,” said Dale Gravett, executive director for the Housing Authority of Chester County. “But it also raises an issue of, OK, what is happening to the man or woman who has a lower-end job but has difficulty finding a place to live?”

“Not that the creation of additional units isn’t a wonderful thing,” Gravett continued, “but there are some issues with scarcity of affordable housing.”

For some local officials, developers, and residents, the shift toward high-end rentals marks a necessary change, one that can grow suburban tax bases, boost a town's attractiveness, and fill a higher-end housing void.

Affordable-housing advocates and other residents wonder whether these towns will forge ahead without them. It's a question playing out nationally: How do desirable towns make room for everyone?

The metamorphosis of Philadelphia’s suburbs is not unique. As many U.S. cities become wealthier and younger, suburban communities once dominated by single-family dwellings try to compete. Pricier new apartments are a natural follow — spurred by revitalization, as well as rising home prices, millennials who have delayed buying houses, and baby boomers who want to downsize.

Existing apartment complexes, meanwhile, feel pressure to renovate and add amenities, hoping to lure renters.

The surge of new apartments has forced average rents higher, according to figures from the real estate data firm REIS Inc. The Phoenixville submarket, for example, which includes nearby Schuylkill Township and Upper Providence, Montgomery County, saw rents increase 4.7 percent in the last year and by an aggregate 22 percent since 2008, according to REIS.

In the Upper and Lower Merion submarket, categorized by REIS as one collective market, rents increased 3.5 percent in the last year. Rents in the West Chester market rose 1 percent. Rents in Center City climbed more than 8 percent in that same period.

“I have not seen these new luxury units hurt affordability,” said Barbara Denham, an economist at REIS. “Many of the new developments are already in well-to-do suburbs ... so when you hear of [these places], you don’t really think of poor neighborhoods getting gentrified.”

Indeed, many communities seeing an influx of higher-rent apartment projects do have higher median incomes. Yet pockets of poverty exist, too. Phoenixville is slated to add 2,000 midtier and luxury units within the next few years, with hundreds already built and occupied. In King of Prussia, more than 2,000 units also are in the works. Lower Merion and West Chester await more than 2,500 combined luxury and midrange units.

Many local-market observers aren't worried: As more units are introduced, they say, prices will soften eventually. Already in Phoenixville and the Upper/Lower Merion market, rent increases are decelerating, REIS data show.

Affordable-housing advocates, though, see cause for concern: As more attention is poured into high-end projects — and less into lower-cost housing — some people increasingly find a dearth of places they can live.

Nowhere, perhaps, is this more apparent than in Phoenixville.

For decades, this 3.8-square-mile borough sat comfortably in the local steel industry. Housing was affordable, and jobs at Phoenix Iron & Steel Co. paid well. People such as Clifford Moore, now 75, made Phoenixville his home.

Then, in 1987, the mill shut down. Thousands, including Moore, were laid off. Families left, and businesses followed. Yet Moore stayed — as long as he could.

For more than a decade, Moore, now retired and living with a mild mental disability, rented along Bridge Street, paying \$400 a month for a tiny one-bedroom apartment atop a storefront. Then, in 2010, amid Phoenixville's rebirth, he got the news: His rent was jumping to \$700.

"He was forced out," said Beverly Sarduy, Moore's caretaker, who helped him secure a federally subsidized apartment in a neighboring town. "We scrambled to find him another place and ended up having to go to Spring City Borough because there was nothing in Phoenixville he could remotely afford."

The issue has caught the attention of local officials. Phoenixville's Borough Council recently agreed to open talks to evaluate whether enough affordable housing exists. Meanwhile, Chester County housing and planning officials say affordability unease exists in such places as Kennett Square and West Chester, too.

"It's getting difficult," said Jean Krack, Phoenixville's borough manager. "Probably every four or five days ... I hear from folks whose greatest fear is that when their lease expires, it's a target of an opportunity to raise prices."

Luxury apartments have no problem filling up, however. Phoenix Village, a Manny DeMutis project that sits along Bridge Street with rents between \$1,200 and \$3,000 a month, is more than 80 percent leased. Riverworks, a Toll Bros. project still under construction nearby, is leasing quickly, too. Both offer amenities including resident-only gyms, theaters, and lounges.

"There were lots of apartments in town, but there weren't any amenity-based apartments," DeMutis said. "Phoenixville has combined the arts and entertainment, the restaurants, the closeness to job centers ... and added this luxury housing stock.

"Now," he said, "when people look at us ... we're a no-brainer."