

Why This Vertical Neighborhood Is Leading The Trend



Travel to even a few major cities in America, and you'll see explosive real estate development in a variety of neighborhoods. Much of the surge is allegedly attributed to Millennials, their desires, values, and lifestyle. According to [one article](#), 23 out of 25 country's largest cities are seeing growth specifically due college-educated adults under the age of 45. Yet others reports completely [contradict](#) this view. The truth is, the demographic far too large and varied to operate as monolith. Thus, what is important to understand is that a significant *portion*, rather than all or none, of the demographic is adopting the urban lifestyle. Indeed, the portion seems to be large enough to even inspire a new approach to the modern skyscraper. It's called the "vertical neighborhood," meaning a mixed-use property trend. And one example that can't be ignored just hit the market.

[FMC Tower at Cira Centre South](#) is Philadelphia's first vertical neighborhood, and is a mammoth 862,000 square foot is impressive. Located at 2929 Walnut Street, the 385 million investment project is set to impact the city on a variety of levels. A select group of insiders were privy to an exclusive event that included both a panel discussion with key design and architectural leaders on the project as well as hard hat tour afterward. Hosted by [Brandywine Realty Trust](#), the development spearhead behind FMC, and [AKA](#), the company that will provide the residential portion of the project.

The event and building seems to be another element to further put Philadelphia back on the map. A Larry Korman, President of AKA and co-CEO of Korman Communities stated during welcoming remarks at the panel, "Philadelphia is truly undergoing a renaissance. We've hosted some of the most important events in the country within a short span of time. The Pope has visited. The 2016 Democratic National Convention was held here. Comcast is driving new ideas, and spaces. The FMC Tower is another step in demonstrating the compelling nature of this amazing city."

Indeed it seems that the tower is a gateway structure-of-sorts that will connect some of nation's top universities and hospitals and create an entirely new neighborhood in the process that may actually shift Philadelphia's center of gravity. Location intended to shift Philadelphia's center of gravity.

An 18 month project, the Tower is a slender building engineered and designed by Pelli Clark Pelli Architects with public spaces and interiors by Piero Lissoni Associati. The building is LEED certified and includes a large elevated park which will serve as public space with event programming once fully opened. Edward Asfour of Asfour Gouzy Architects which also worked on the project said, "The park is designed to function as an extension of public space, like piazzas in Europe. It literally engulfs and inspires." In fact more than 25% of the Tower is open space. Designed with sustainability in mind, a variety of technology was used to create not only an aesthetically pleasing, but also "intelligent" building. Storm water system includes storage tanks and filtration system to capture and pre-treat rain water before it's discharged into the city system meeting many Millennial/new era concerns and values. Reduction of excess urban heat is achieved through the use of light colors for roofing materials, paving, and planting. High efficiency lighting and lighting controls are integrated throughout the building. Fresh outside air is also supplied utilizing a heat recovery system for recaptured energy from the exhaust air.

What seems to be unique about the property are the exposed lobbies, and unique and separate entrances to residential, retail, and office spaces. Mark Shoemaker of Pelli Clark Pelli explained, "The different lobbies actually create different identities. They are integrated but separate. There are multiple entry points. Everything generates motion and fluidity, but with a sense of calm."

Once completed in early 2017, FMC will also include restaurants and retail shops, but the residential space may be what captures the most awe. Located from floors 30 to 46 is the collection of AKA hotel, extended-stay, and traditional rentals and will be known as AKA University City. Totaling 268 luxury hotel and apartment residences, guests and tenants will be treated to panoramic views and 10-foot ceilings.

Amenities will take on a new definition as this building offers a full 28th floor of offerings complete with an outdoor deck the full length of the building. Amenities will include a pool, screening room, Technogym equipment, yoga studio, dedicated dining and conference areas, a 3-D indoor golf simulator, and an indoor/outdoor restaurant sure to become a favorite given AKA's dining locations as consistent top picks by Food & Wine and its latest, [Rarest](#) at the company's Washington Square.

AKA University City is also the first residential hotel in Philadelphia to offer residents and guests exclusive access to its house car, a 2017 [Tesla Model X](#), as a luxury transport amenity. Guests can reserve the private driver service to take them anywhere within Philadelphia, 7 days per week, for a small cost that ranges between a Taxi and Sedan Service.

Though some might say that developments such as these help to create a greater divide between classes and incomes in a city, local restaurateur Anthony Masceri who owns [Plenty Cafe](#) said, "The challenges exist in some of the neighborhoods where inevitable price increases both in rent and cost of goods in retail and food & beverage can create a strenuous environment where some residents maybe are not in favor of dramatic change and cost increases. But I think whenever you have such a large corporation investing so much infrastructure in Philadelphia it will inevitably create more business and jobs both directly and indirectly. It will also attract talent from other cities who otherwise would not have considered Philly an option to live and work."

"There is significant investment from people from New York," he told me, "on all fronts both in real estate and food and beverage."

[Andrew Margulies](#), Vice President of Investments at [Marcus & Millichap](#) confirms, "Purchasing commercial real estate can be a savvy diversification tool for most investment portfolios. When comparing commercial real estate to the alternative yields in stocks, bonds and other investments, the annual returns for commercial real estate properties can range from 4% to 10% depending on the level of risk with each asset."

Margulies added, "Over the past several years there has been a significant shift in the investment strategies for many Institutional and Private Buyers from suburban locations to urban, in-fill properties which typically have high barriers to entry. As a result, prices have risen sharply in areas with 'vertical neighborhoods' and yields have continued to compress which means that buyers have less margin for error."

"In many markets around the country, a mixed-use project (ground floor retail with apartments above) in a downtown location can generate annual returns 4% to 6% depending on the size of the market and the quality of the project, compared to annual returns of 7% to 8% for a shopping center or apartment building in a suburban location."

Allen Shayanfekr, Founder and Principal of [Sharestates](#) adds further clarity on the trend, "Vertical neighborhood investment is completely dependent on the stage of growth. Cities like Manhattan for example have peaked - meaning investors are paying a premium for what is supposedly the most stable investment. Our investment groups have found it best to identify vertical neighborhoods that are still in the process of being built up - meaning municipalities are constantly rezoning and allowing for additional air rights. Ultimately this would deliver the best of both worlds - giving the investor the ability to not only invest in a better market but also capture long term upside in future development."

One thing is certain, this particular development is intended to accelerate growth in Philadelphia. Jerry Sweeney, President, CEO and Trustee of Brandywine Realty Trust said, "We fully intend for FMC to provide lasting value for the city. What we hope to have done is to create new way to live, work, and play for 2017 and beyond."