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COLLEGE OF MANAGEMENT AND TECHNOLOGY

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ABSTRACT

An Analysis of Selected Aspects
of the Residential Real Estate Market in
Philadelphia County, PA

by

Anthony Michael Criniti, IV

M.S.F.S., American College, 2003

B.B.A., George Washington University, 2000

Dissertation Submitted in Partial Fulfillment
of the Requirements for the Degree of
Doctor of Philosophy
Applied Management and Decision Sciences

Walden University
September 2008

ABSTRACT

Four decades of data clearly document that Philadelphia, Pennsylvania, one of the nation's earliest planned cities, has experienced increased urban blight and abandonment of many of its real estate properties. However, much less is known regarding specific investor perceptions that could be targeted to reverse this trend. Narrowing this knowledge gap is the purpose of this study. Accordingly, the research goal of the study was to identify key perceptions of the city's residential real estate investors that could be leveraged to increase investment in Philadelphia and enhance the economic conditions of the city. A qualitative case study design was employed within a purposeful sample of 20 interview respondents and a 5-member focus group drawn from recent investors in both small and large-scale Philadelphia market segments. Structured interviews queried three topical areas derived from the literature including development efforts, value, and investment potential. Emergent themes regarding the city's perceived strengths and opportunities for improvement were extracted question by question from the interview data, validated via continuous member checking and then triangulated with those themes that emerged from the focus group and initiatives described in the literature. A general confidence in Philadelphia County's investment potential was identified as a common strength, whereas city crime rates, school safety and quality consistently emerged as areas to improve. The results from this study can be used by city planners and administrators to inform infrastructure planning and prioritize funding those projects and programs that could most directly impact confidence in Philadelphia's real estate investment potential. Such use of these data would positively impact social change by revitalizing this historic city's economic base and thus contribute to an improved quality of life for its residents.

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DEDICATION

I would like to dedicate this paper to all my friends and family who have always been there to support my educational pursuits. Specifically, I would like to dedicate this to my parents, Anthony and Theresa Criniti, to whom I owe my life. They have always been there from day 1, sacrificing their lives for me so that I could 1 day finish a paper this size and be recognized by the American society as a "doctor." I may never truly feel the pain of what you have been through to make this dream come true and I may never be able to repay you. Instead, almost 30 years of education and this doctoral degree was my plan you show you my appreciation.

I also would like to dedicate this paper to my little sister, Treanna. I hope that my efforts are a positive inspiration for you to always pursue your dreams, regardless of how difficult life can get.

I would like to dedicate this dissertation to my brother, Thomas, and all other mentally challenged people like him. His consistently positive outlook on life has always been an inspiration to me and everyone he encounters. If the world were filled with the perspectives on life from people like him, there would never be any wars. As much as one can learn in the United States' educational system, they can learn a million times more from the happiness generated from people like my brother Tommy.

I would also like to dedicate this paper to my grandparents and other close relatives who have passed away. They were the building blocks to this final study and will always be remembered.

I would like to dedicate this paper to my high school wrestling coach and good friend, John Welgoss. He has taught me many leadership qualities. The most important

quality that he taught me was to become "relentless" in all aspects of life. His words of persistency and the ability to never give up have dominated my ways of thinking and my attitude on life and may be a large reason for who I have become.

Finally, I would like to dedicate this to the many people who I have met on my various journeys around the world. Among them are my good friends from Semester at Sea. Also, I would like to dedicate this to the many impoverished people around the world who are not as fortunate as me to be given the opportunities of a good American education. I believe that the one thing that I have learned most from education is that the best education is found in the ability to love and give. I believe that even the most pronounced intellects have not learned anything from education if they have not learned how to love and give back to humanity. Thus, even the most impoverished people without any formal education are truly intellects if they too seek out the education of a more united, loving, and peaceful world.

ACKNOWLEDGMENTS

I would like to acknowledge several people for their support on this dissertation. First, I would like to acknowledge my chair, Dr. Vicky Black, and my committee members, Dr. Robert O'Reilly and Dr. Marvel Lang. I appreciate them for having been there to guide and support me from the beginning of this long journey. Your efforts will never be forgotten.

I also want to acknowledge Jeffrey Ford and the IRB team, Dr. Stahley, and Jeff Zuckerman and the Writing Center for all of your help. Each of you is appreciated for your contributions to my final dissertation.

I also would like to acknowledge all of the participants in this study. Their time and energy donated to my research is appreciated.

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CHAPTER 1:

INTRODUCTION

Introduction to the Study

Philadelphia was founded and developed in 1682 by William Penn and is one of the earliest examples of a planned city (Wikipedia, *Philadelphia,* 2007). Since its beginning, Philadelphia and its residents have produced innovations that have had a major impact on the American society and the rest of the world. Nevertheless, Philadelphia has encountered some major urban problems since the early part of the 1970s, which include an increase in crime and blight. This has led to the emigration of many of its residents and a major increase in abandonment of many of its properties.

However, since the inception of HOPE VI in 1993, Philadelphia has used federal funds to recreate the image of Philadelphia (Rosenthal, 2004, p. 26). The leadership of the Philadelphia Housing Authority and the Philadelphia government has redefined its image, goals, and strategies (City of Philadelphia, *Neighborhood transformation initiative: What is NTI?,* 2007). Their decisions over the past 10 years have helped eradicate the blight from many neighborhoods and increase morale among residents. Furthermore, the current real estate market condition may have also contributed to the redevelopment of Philadelphia. There are three major concepts that should be evaluated when studying the residential real estate market in Philadelphia County, PA, which include expected rate of return, valuation, and redevelopment.

Expected Rate of Return

Expected rate of return is the first major concept to consider when purchasing residential real estate in Philadelphia. According to Case and Shiller (1988), the largest single investment for most American families is the house in which they live, and that house is often the major part of the family's wealth portfolio. Therefore, most homeowners consider the property's investment potential or the expected rate of return in deciding whether to buy a house and what house to buy (as cited in Crone & Voith, 1999, pp. 63-64). There are several major methods of calculating the expected rate of return for real estate, including time-weighted rate of return, internal rate of return, and net present value.

Valuation

Valuation is the second major concept to consider when purchasing residential real estate in Philadelphia. The standard property valuation literature recognizes three main valuation methods: the methods based on construction costs, rental income capitalization, and market (usually property sales) data. While the first methods suffer from limited applicability, the market data analysis has become the most popular method for residential valuation. However, sometimes (for instance, if the markets for a particular house type are too thin) it is common practice to use heuristic knowledge and the experiences of valuers (Kauko, 2004, p. 77). Nevertheless, there have been many various additional approaches or variants on existing approaches that have been suggested as an official fourth approach to value.

Redevelopment

Redevelopment is the third major concept to consider when purchasing residential real estate in Philadelphia. According to a recent study by the National Low Income Housing Council, 95 million people, one third of the nation, had housing problems (high cost burden, overcrowding, poor quality, or homelessness) in 2001 (FYI, 2004, p. 3). Traditionally, there was only limited support by the U. S. federal government for redevelopment activities for residential real estate. Housing choice vouchers, also known as *Section 8*, were one of the few options in existence to motivate private investors to keep residential properties well maintained. These vouchers allow a family to find a home where they want to live, in the private market, without paying any more than they would in public housing (Rosenthal, 2004, p. 25). Furthermore, although it has been argued that Section 8 does not create housing and has been criticized as "retro-gentrification," it can be a positive source of community revitalization in a city with a declining population, miles of underpopulated streets, and thousands of vacant buildings (Rosenthal, p. 25). Nevertheless, Section 8 did not provide a complete solution to many of the housing problems that were encountered in the United States, particularly in many urban settings.

It wasn't until the early 1990s that the housing problems in the United States were finally recognized as a priority issue that needed to be addressed at the federal level. In 1993, the HOPE VI program was created to encourage residents to become self-sufficient and remain on the revitalized site, paying higher rents and creating a mixed income community from within. HOPE VI originated from the National Commission on

Severely Distressed Public Housing, which identified 100,000 unsuccessful units of public housing nationwide. Congress responded with a housing appropriations bill that included $650 million for the first year of the new 10-year Urban Revitalization Demonstration Program, which ultimately grew to a total of $5.4 billion by 2002. After the first few years of large grants to the largest or most distressed housing authorities, the U.S. Department of Housing and Urban Development (HUD) opened up the competition to the rest of the nation and the grants began to decline in size (Rosenthal, 2004, pp. 21-24).

Selecting a residential property in Philadelphia County, PA can be very stressful both as a homeowner and as an investor. There are various considerations to account for and many different strategies that can be utilized. Nevertheless, there are limited resources to gather a comprehensive understanding of this market. It is hoped this case study will help researchers and investors develop a better understanding of the various perceptions of investors in the residential real estate market in Philadelphia County, PA, particularly as it relates to the current real estate market conditions.

Statement of the Problem

The general problem this research addressed was determining if an understanding of current perceptions of three specific concepts of the residential real estate market can assist in enhancing the economic conditions of major cities in the United States. Specifically, this study focused on determining if an understanding of current perceptions of three specific concepts of the residential real estate market can assist in enhancing the economic conditions of Philadelphia County, PA. That is, a deeper understanding of the

perceptions of three concepts (redevelopment, expected rate of return, and valuation) can lead to an enhancement of its economic condition by providing positive reasons for future investment in Philadelphia. This may lead to the creation of newer homes and a redevelopment of older homes. Nevertheless, this study may be used as a model for researchers who may be interested in conducting a similar study of other major cities in the United States. This study focused on the concepts of redevelopment, value, and the expected rate of return of an investment.

Background of the Problem

The researcher is unaware of any studies that attempt to understand the perceptions of the three concepts that were analyzed in this study and its applicability to both Philadelphia, PA and the U.S. residential real estate market. Philadelphia, PA is the fifth most populous city in the United States and a major commercial, educational, and cultural center for the nation (Wikipedia, *Philadelphia,* 2007). Therefore, there may be many investors and researchers in the residential real estate market in Philadelphia who are in need of more specific information about this market. Specifically, there may be many investors and researchers who are interested in learning about the perceptions of other investors in this market and its possible applicability to the U.S. residential real estate market.

Purpose of the Study

The purpose of this study was to develop a better understanding of the various perceptions of investors in the residential real estate market of Philadelphia County, PA in order to enhance its economic condition. A deeper understanding of the perceptions of

three concepts (redevelopment, expected rate of return, and valuation) can lead to an enhancement of its economic condition by providing positive reasons for future investment in Philadelphia. This may lead to the creation of newer homes and a redevelopment of older homes. The study was addressed through the use of three concepts that play a major role in the activity of the real estate market. Furthermore, this study was a baseline study that may be used as a model for researchers who are interested in conducting a similar study of other major cities in the United States.

Objectives

The objectives of the study included:

1. Develop a survey instrument to determine the perceptions of the residential real estate market in Philadelphia.

2. Test the survey instrument in a pilot study.

3. Refine the survey instrument to be implemented in this current study.

4. Evaluate the survey instrument in this study.

5. Evaluate the study findings to determine the current perceptions of the Philadelphia residential real estate market.

6. Determine if these results can be used as a model for future studies of other major cities of the United States.

Theoretical Conceptual Support for the Study

This study was built on past research on factors affecting valuation of residential real estate. This includes, but is not limited to: neighborhood factors (DeSalvo, 1974; Flynn, MacGregor, & Hunsperger, 2004; Nelson, Genereux, & Genereux, 1992; Quigley,

1982; Ridker & Henning, 1967; Simons, Bowen, & Sementelli, 1997) and factors affecting a neighborhood's social fabric (Li & Brown, 1980; Simons, Quercia, & Maric, 1998; Vandell & Zerbst, 1984).

Furthermore, recently, there has been research attempting to demonstrate that the characteristics of a property can be specifically attributed to a change in the valuation of that property. For example, a study by Sirmans and MacPherson (2003) provided extensive information on the effects that a home's attributes has on its selling prices. The conclusions of this study are consistent with previous research based on more limited data. That is, a number of physical and locational attributes can either add to, or subtract from, a property's value (Sirmans & MacPherson).

This study expanded on past research as it attempted to derive general perceptions of valuation on the current and future Philadelphia residential real estate market. These perceptions of valuation considered factors affecting valuation such as current redevelopment activities and the expected rate of return of Philadelphia residential real estate.

Since the 1980s, a large and growing body of literature dealing with problems related to property cycles has appeared. Furthermore, there has been much research linking the real estate cycle to the general macroeconomic cycle. This relationship contains the foundational economic theories that this study is built on and has been recognized and documented since World War II. Grebler and Burns (1982) uncovered six residential and four nonresidential construction cycles in the United States between 1950 and 1978 (pp. 123-151). Pritchett's analysis indicates that the magnitudes of the

construction cycles for office, industrial, and retail real estate are different, with office the most volatile, industrial the least volatile, and retail is somewhere in between (as cited in Yoon, Edelstein, Lacayo, & Lee, 1999, p. 71).

There has also been some literature on the residential construction cycles. The residential construction cycles tended to be counter-cyclical, while the commercial construction cycles tended to be coincidental with the macroeconomic cycle. Gettetag explains the observed counter cyclical residential construction activity as a function of credit and other resource availability to the residential building sector. Green performs a test for causality between economic and real estate investment cycles (as cited in Yoon et al., 1999, p. 71).

<div align="center">Assumptions</div>

There are several assumptions the author believed could have affected the outcome of the study. Although there was an attempt to control these assumptions by providing thorough explanations of the survey questions as requested, these assumptions were necessary to ensure the accuracy of the data. The first assumption of the study was the participants provided the truthful answers to the questions. The second assumption of the study was the participants interpreted the questions the same way. Another assumption included that there was an adequate number of participants enlisted to gather enough data for the study. The fourth assumption was that the residential real estate investors in this study included both homeowners and individual investors. The final assumption of the study was the participants were aware of the appreciation in residential real estate that has occurred in Philadelphia in the past 10 years.

Scope and Delimitation

The scope of this study was to determine the perceptions of the Philadelphia residential real estate market through the administration of an interview questionnaire. The interview questionnaire originated in a pilot study that was comprised of 5 real estate investors who were also Pennsylvania licensed realtors. Ten small-scale real estate investors were participants of this study. The data were compared with 10 large-scale real estate investors. The researcher also conducted a focus group to gather more information about the research questions. This focus group consisted of 5 participants from the existing 20 participants. These participants were purposively selected by the subjective abilities of the researcher in order to create a well-rounded discussion. The duration of the pilot study was approximately 1 week, while the duration of this study was approximately 2 months.

This study included surveying of 2 groups of individuals, each of which had an inclusion criterion. The groups were labeled the *small-scale investor group* and the *large-scale investor group*. The small-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least one (but less than five) residential property in Philadelphia for at least 1 year. The large-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least five residential properties in Philadelphia for at least 1 year.

The study included individuals who were affiliated with the real estate brokerage company, A. Criniti Realty, in South Philadelphia, PA, and possibly other real estate brokerage companies in the same area, between the specified dates of the study. A. Criniti Realty is a family-owned real estate business with 3 employees including the researcher. The researcher chose this company because its primary business of real estate attracts candidates who have a high probability of being qualified for this study. In addition, it was more practical for the researcher to conduct this study in South Philadelphia of Philadelphia County, PA because of the established network of affiliates that are already associated with his company. No information related to the participants' abilities to invest in residential real estate were included.

<div align="center">Limitations</div>

There are several factors that influenced the interpretations of the study. These factors, although limiting, were accepted components of the qualitative research methodology. First, the study was limited by not randomly selecting the participants. Participants were qualified and selected by the best judgment of the researcher. Second, the study was limited to participants willing to take the survey. The third limitation of the study was enlisting an adequate number of participants to gather enough data for the study. The assumption that subjects interpreted the questions in the survey the same way was the fourth limitation. Fifth, the study was limited to the understanding that some individuals may have possessed better investing skills than others in the Philadelphia residential real estate market. Sixth, the study was limited to the understanding that some individuals may have possessed better investing skills than others in the U.S. residential

real estate market. The seventh limitation of the study was the location of the study in South Philadelphia, PA. The eighth limitation of the study was lack of supporting statistical analysis traditionally accompanied with surveys. The ninth limitation of the study was that it may be possible that the researcher's bias may have been incorporated into the selection of the samples. The final limitation of the study was that it may have been possible that the researcher's bias was incorporated into the approach and data analysis sections of the study.

<div align="center">Research Design</div>

The study was a qualitative study that utilized multiple sources of information. A case study design was used to perform the study. However, this design was blended with selected aspects of the structured interview design as described by Babbie (2001). The unit of analysis was an individual who purchased residential real estate in Philadelphia. Furthermore, a nonprobability sampling method of purposive/judgmental sampling was administered because a random selection from the population of participants was not possible. Additionally, because of the difficulties of finding individuals purchasing residential real estate from sources other than real estate brokers, a sample frame of real estate brokers was used. The interview questionnaire was mostly developed using Likert scale questions, which facilitated the data analysis process. The pilot group consisted of 5 individuals who completed the interview questionnaire approximately several months before the final study groups. The 2 final groups in this study included 10 individuals in the small-scale investor group and 10 individuals in the large-scale investor group. These 2 groups consisted of individuals willing to participate in the study during the same

timeframe of the final study. The researcher also conducted a focus group to gather more information about the research questions. This focus group consisted of 5 participants from the existing 20 participants. These participants were purposively selected by the subjective abilities of the researcher in order to create a well-rounded discussion.

Research Questions

1. What are the perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?

2. What are the perceptions of the values of the residential real estate market in Philadelphia County, PA?

3. What are the perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?

4. What are the perceptions of the residential real estate market in Philadelphia County, PA?

Each of these questions were addressed in the interview questionnaire for this case study.

Significance of Study

There are several major reasons why this study was significant. First, the research problem and purpose of the study was significant for various researchers for various reasons. For example, a researcher may be interested in learning about the perceptions of the development efforts, value, and investment potential of the residential real estate market in Philadelphia County, PA. Second, the research problem and purpose of the study was significant at the investor level. Investors may be interested in the perceptions of other investors of the Philadelphia residential real estate market in regards to the three

concepts explored in the study. The results of this study provided support to investors' decisions of investing in this market. Finally, this study was significant as a baseline study that may be used as a model for researchers who are interested in conducting a similar study of other major cities in the United States.

<div align="center">Social Significance</div>

There are several major reasons why this study was socially significant. First, the results of this study enhanced the economic condition of the real estate market in Philadelphia County, PA by providing information to investors about the perceptions of other types of investors in this market. This provided positive reasons for investing additional capital into this market. This may lead to the creation of newer homes and a redevelopment of older homes. Second, this study may be used as a model for researchers who may be interested in conducting a similar study of other major cities in the United States. Thus, this study provided a foundation for the body of future literature on this important topic. Finally, this study helped to determine that research on perceptions of the U.S. residential real estate market can provide some very insightful information for a qualitative analysis. For example, the results of this study have indicated that the perception of the majority of the investors interviewed in the pilot study and the final study are consistent with the literature on the concepts analyzed in this dissertation. There are many potential reasons for this occurrence, which, at minimum, may provide a good discussion.

Definition of Terms

The following list of terms and their description were used in this paper:

Blighted area: "A term once popular in urban renewal, referring to a run-down area" (Talamo, 1986, p. 21).

Commercial property: "Property which is zoned commercial (for business use). Property such as stores, restaurants, and so on, falling between residential and industrial" (Talamo, 1986, p. 34).

Development: "A planned construction project, rather than simply the building of unrelated buildings" (Talamo, 1986, p. 48).

Expected rate of return: See *mean return* (Downes & Goodman, 1998, p. 188).

Industrial property: "Land which is zoned industrial or real property improved specifically for industrial use" (Talamo, 1986, p. 82).

Mean return: "In security analysis, expected value, or mean, of all the likely returns of investments comprising a portfolio; in capital budgeting, mean value of the probability distribution of possible returns. The portfolio approach to the analysis of investments aims at quantifying the relationship between risk and return. It assumes that while investors have different risk-value preferences, rational investors will always seek the maximum rate of return for every level of acceptable risk. It is the mean, or expected, return that an investor attempts to maximize at each level of risk" (Downes & Goodman, 1998, p. 355).

Perception: "A result of perceiving: observation. A mental image: concept" (*Merriam-Webster's Collegiate Dictionary*, 2003, p. 918).

Philadelphia: As used in this study, Philadelphia is synonymous with Philadelphia County, PA. "Philadelphia County is a county located in the State of Pennsylvania. It is conterminous with the city of Philadelphia which also serves as its seat. Philadelphia County is one of the three original counties, along with Chester and Bucks County, created by William Penn in November 1682.   According to the United States Census Bureau, the city has a total area of 369.4 km² (142.6 mi²). 349.9 km² (135.1 mi²) of it is land and 19.6 km² (7.6 mi²) of it is water. The total area is 5.29% water. Bodies of water include the Delaware River, Schuylkill River, Cobbs Creek, Wissahickon Creek, and Pennypack Creek. The lowest point in the city lies 10 feet above sea level near Fort Mifflin in Southwest Philadelphia at the convergence of the Delaware and Schuylkill Rivers. The highest point is in Chestnut Hill, at 432 feet above sea level, near Evergreen Place, just north and west of Evergreen Avenue" (Wikipedia).

Real estate: "Land and anything permanently affixed to the land, such as buildings, fences, and those things attached to the buildings, such as light fixtures, plumbing and heating fixtures, or other such items which would be personal property if not attached. The term is generally synonymous with real property, although in some states a fine distinction may be made. May refer to rights in real property as well as the property itself" (Talamo, 1986, p. 123).

Real estate bubble: "When real estate market prices rise far above fundamental values calculated with reasonable assumptions about future cash flow" (*Brookings Papers on Economic Activity*, 2006, pp. 47-48).

Real property: See *real estate* (Talamo, 1986, p. 123).

Redevelopment: "Generally, the improvement of land in accordance with an urban renewal project" (Talamo, 1986, p. 124).

Residential property: "land designated by zoning ordinances as residential. May be vacant or improved" (Talamo, 1986, p. 127).

Speculation: "Assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss. Speculation is a necessary and productive activity. It can be profitable over the long term when engaged in by professionals, who often limit their losses through the use of various hedging techniques and devices, including options trading, selling short, stop loss orders, and transactions in futures contracts. The term speculation implies that a business or investment risk can be analyzed and measured, and its distinction from the term investment is one of degree of risk. It differs from gambling which is based on random outcomes" (Downes & Goodman, 1998, p. 580).

Urban renewal: "Razing and rebuilding of obsolete sections of cities through financing by federal, state, and local governments" (Talamo, 1986, p. 153).

Valuation: "The estimation of value. Appraisal" (Talamo, 1986, p.154).

Value: "The usefulness of an object or the monetary worth of an object or a shortening of the term valuable consideration, as in a purchaser for value" (Talamo, 1986, p. 154).

Zoning: "The division of a city or county by legislative regulations into areas (zones), specifying the uses allowable for the real property in these areas" (Talamo, 1986, p. 159).

Zoning ordinance: "A law (generally at the city or county level) controlling the use of land and construction of improvements in a given area (zone)" (Talamo, 1986, p. 160).

Summary

Chapter 1 provided a general overview of this study of the residential real estate market in Philadelphia. It included a background of the problem, the problem statement, and the purpose of the study. In addition, it included assumptions, limitations, delimitations, and the significance of the study. Chapter 2 will continue with a literature review of existing writings pertaining to the topic. It will provide a theoretical framework for the study and will also contain information about real estate and the residential real estate market in Philadelphia. Chapter 3 will describe the methodology that will be used in the study. Furthermore, it will describe the research design, the sample, data collection, and data analysis.

CHAPTER 2:

LITERATURE REVIEW

Introduction

The purpose of this study was to develop a better understanding of the various

perceptions of investors in the residential real estate market of Philadelphia County, PA

in order to enhance its economic condition. Furthermore, the study was explored through

the use of three concepts that play a major role in the activity of the real estate market.

The literature review will explore the real estate market, redevelopment, an analysis of

Philadelphia, expected rate of return, valuation, and the related theories that were built on

in this study. The chapter will begin with a review of the real estate market, real estate

cycles, and redevelopment. It will continue with an analysis of Philadelphia County,

which includes: demographics, history, Philadelphia Housing Authority, the city's

problems, redevelopment initiatives, new strategies, recent progress, and a need for

alternative funding. This chapter will conclude with a review of literature on expected

rate of return, valuation, and real estate indexes. The literature that will be evaluated in

this review was gathered by searching online databases, journals, reference lists of

applicable research studies, and interviewing professionals in the field.

Real Estate Market

There are various types of research on the real estate market. However, a

substantial portion has been conducted over the past 20 years. For the purpose of this

study, it is worth noting that several types of real estate classes exist, including

residential, commercial, and industrial real estate. Although the focus of this study was on residential real estate, it is important to understand the differences in types as they were defined in the Definition of Terms section of chapter 1. Furthermore, there will be a brief discussion of the significance of real estate investment trusts (REITs), which many investors in the Philadelphia real estate market may have considered investing in.

The United States introduced the REIT in 1960. However, the REIT is also found in most industrialized countries including: France, Germany, the Netherlands, Italy, the United Kingdom, and Belgium. Although the detailed rules that exist in each country are different, the basic goals and characteristics are similar. Investment in a REIT allows the investor to diversify his or her risk and spread his or her investment between assets that will produce an income stream and those that will provide capital appreciation. Furthermore, the REIT is designed to allow an investor to replicate the returns received through owning property directly. This is achieved by taxing the investors on the income received from the REIT and on the capital gains arising on a sale of their investment in the REIT. That is, tax is not charged at the level of the REIT. In addition, REITs are usually invested in commercial property and not residential property. Generally, commercial property is not an asset class that most individuals may invest in directly, and even for institutional investors the illiquid nature of property and high transaction costs reduces its attractiveness (Nichols & Boutell, 2005, pp. 295-296).

Real Estate Cycles

Overview

Understanding the fundamentals of property cycles is essential to understanding the purpose of the study because Philadelphia's current residential real estate market condition is influenced by its current and past real estate cycles. There is a wide range of literature on property cycles. This may be due to the extensive variety of types of property cycles. According to the conceptual analysis by Pyhrr et al., there are several kinds of property cycles simultaneously affecting the real estate markets, ranging from the very micro level of the life cycle of the individual property, to the cyclical patterns at the international level (as cited in Bjorklund & Soderberg, 1999, p. 154).

Studies of property cycles carried out before the 1980s are rarely found, though some classical exceptions exist. For example, there was a study by Hoyt in 1933 and also Barlowe in 1958 who presented some series on the statistical work by Roy Wenzlickh. In 1941, Virgin carried out some pioneer work applied to Swedish data. In particular, his series on turnover on the market for income properties in Stockholm show a clearly cyclical pattern with major peaks in 1885, 1907, and 1929 (as cited in Bjorklund & Soderberg, 1999, p. 154).

Since the 1980s, a large and growing body of literature dealing with problems related to property cycles has appeared. Furthermore, there has been much research linking the real estate cycle to the general macroeconomic cycle. This relationship has been recognized and documented since World War II. Grebler and Burns (1982) uncovered six residential and four nonresidential construction cycles in the United States

between 1950 and 1978 (pp. 123-151). Pritchett's analysis indicates that the magnitudes of the construction cycles for office, industrial, and retail real estate are different, with office the most volatile, industrial the least volatile, and retail is somewhere in between (as cited in Yoon, Edelstein, Lacayo, & Lee, 1999, p. 71).

There has also been some literature on the residential construction cycles. The residential construction cycles tended to be counter-cyclical, while the commercial construction cycles tended to be coincidental with the macroeconomic cycle. Gettetag explains the observed counter cyclical residential construction activity as a function of credit and other resource availability to the residential building sector. Green performs a test for causality between economic and real estate investment cycles (as cited in Yoon et al., 1999, p. 71).

Hekman finds that the office construction sector, for 14 metropolitan statistical areas (MSAs) is highly cyclical, following the national economic cycle. He also observes that local and regional economic conditions exert important forces on the MSA office market (1985, pp. 32-47). Similarly, Voith and Crone uncover significant cyclical vacancy differences between major city office markets for 17 U.S. MSAs (1988, pp. 437-458). These findings are reinforced by Dokko, Edelstein, and Urdang, who demonstrate that local market conditions and macroeconomic conditions, especially inflationary expectations, operate in concert to generate cyclical outcomes for local real estate markets (1991, pp. 52-69).

For the national office market, Wheaton identifies a 12-year recurring cycle in construction and vacancy (as cited in Yoon et al., 1999, p. 72). Wheaton and Torto find

that the peaks and troughs of the office real rent cycle lag the vacancy rate troughs and peaks, respectively, by roughly 1 year (1988, pp. 430-436). Rosen develops a natural vacancy rate model for the San Francisco office market that identifies rental rate adjustments used to predict local new construction, absorption, changes in vacancy, and changes in rental rates (1984, pp. 261-269).

Several research efforts have been devoted to examining the interrelationships among regional and economic factors and real estate market cycles. Several examples include studies by Pritchett (1977, pp. 189-208) and Voith and Crone (1988, pp. 437-458). Three conclusions emerge from these studies and several similar studies. First, observed real estate cycles are a combination of several cycles produced by underlying forces. Second, these forces are related to fundamental economic variables. Third, the typical real estate cycle usually follows a discernable pattern (as cited in Yoon et al., 1999, pp. 73-74).

The research on real estate cycles has also grown in significance in the international community over the past 2 decades.   Renaud identifies the global real estate crash as a new phenomenon and regards it as a consequence of the internationalization of the financial system. Dehesh, Egan, and Pugh come to similar conclusions. In a comparative analysis of the markets for single-family properties in 15 OECD countries, covering the period 1970-1992, Englund and Ioannides find that house price dynamics seem to be interdependent on descriptive grounds. However, they find weak support for the existence of an international property cycle (as cited in Bjorklund & Soderberg, 1999, p. 155). In addition, a study by Wernecke, Rottke, and Holzrnann attempted to gain

experiential insight into the relevance of real estate cycles for practitioners in Germany (Wernecke, Rottke, & Holzrnann, 2004, p. 184).

Real Estate Bubbles

A number of studies have been undertaken to test the existence of serial correlation in housing price changes, and the existence of real estate bubbles. While both tests raise theoretical and econometric issues, direct tests for bubbles are particularly problematic, since theory provides little guide as to the exact process involved in forming a bubble (Malpezzi & Wachter, 2005, p. 150).

While many studies document the existence of serial correlation in prices, the evidence of whether these lead to bubbles is somewhat mixed. Several papers provide evidence of serial correlation in North American housing price changes, such as Hamilton and Schwab, Case and Shiller, and Malpezzi. England and Ioannides find strong serial correlation in housing prices across 15 OECD countries. Kim and Suh examined Korean and Japanese housing price data, and fit a particular form of the bubble model derived in the style of Blanchard and Kahn. In Japan, they found evidence of both nominal and real bubbles. However, in Korea, they were unable to reject the null of no bubble in Korean real housing prices. Kim and Kim find that Korean land prices are co-integrated with GDP and stock prices, suggesting that at least in the long run real estate prices are tied to fundamentals (as cited in Malpezzi & Wachter, 2005, pp. 150-151).

Other literature focuses on potential causes of bubbles. Some papers, like OrtaloMagne and Rady, focus on the demand side. Others, like Malpezzi, include supply

side determinants, notably natural constraint, and the role of the regulatory environment (as cited in Malpezzi & Wachter, 2005, p. 151).

There are many different measures of housing bubbles. In general, they compare movements in home price indexes with the CPI, household income, rent indexes, or the values predicted by multiple regression models of housing prices. However, none of these measures can gauge whether housing prices are above or below fundamental values, that is, the projected net rental savings, discounted by a required rate of return. Homebuyers do not seem to be a reliable source of information about rental savings. It may be safer to gather such data from market rents and sale prices of matched pair of houses (*Brookings Papers on Economic Activity,* 2006, pp. 46-47).

The Current Real Estate Bubble Debate

There is currently much debate over whether the real estate market in the United States has developed into a housing bubble. Housing prices have increased rapidly in urban markets in recent years, and some homebuyers may have unrealistic expectations about future prices. A large amount of this growth can be attributed to lower interest rates and effects from the baby boom generation. Consequently, many observers are concerned as to whether this growth can continue. Particular concern is being expressed over the recent very sharp increases in real housing prices that now are rising faster than real personal income (Brueggeman, 2002, p. 12).

There is also concern over the amount of debt floating in the United States economy. As of the end of 2001, mortgages outstanding exceeded $5.7 trillion, and

home equity loans exceeded $700 billion. Furthermore, home equity loans were nonexistent in 1980-1982 and have tripled since 1990 (Brueggeman, 2002, pp. 5-7).

Contrarily, there is evidence that supports the notion that the United States is not in a bubble. In a real estate bubble, market prices rise far above fundamental values calculated with reasonable assumptions about future cash flow. By this definition, according to Brookings Papers on Economic Activity, there was no bubble in the prices of single-family homes in 2005. It would take a very peculiar set of assumptions to place fundamental values in the middle of randomly fluctuating market prices for 23 years in all 10 of the areas examined in a recent study. Thus, historical market prices are an unreliable gauge of whether current market prices are above or below fundamental values. The observation that real estate prices are higher than they used to be or higher than the values predicted by models using historical prices does not prove that current prices are above fundamental values (*Brookings Papers on Economic Activity*, 2006, pp. 47-48).

Another study by Businessweek.com had similar conclusions. They attempted to forecast the market conditions over the next year by asking economists at leading real estate research firms to provide their outlooks for the housing market in 2007. The results of this study are relatively optimistic. That is, interest rates will remain at historically low levels, homebuyers, will see more opportunities. In addition, the real estate market could experience a comeback by 2009 (Businessweek.com, 2006). Furthermore, according to Brookings Papers on Economic Activity, a home is still a

fundamentally sound investment at current prices if the owner plans to stay in the area for a long period (*Brookings Papers on Economic Activity*, 2006, p. 48).

There are also several influences that should tend to continue to generally support housing demand. First, there is an increasing number of employed, single heads of households who will be demanding housing. Second, there is an increase in the average life expectancy of the population who will occupy homes longer. This will reduce the availability of housing that might otherwise be for sale. Third, there is an increase in the number of second, retirement, and/ or recreation homes purchased by existing homeowners. Finally, there is continuing inflows of new households, via immigration, who provide an additional source of housing demand (Brueggeman, 2002, p. 12). A recent study by Borjas, sponsored by the Mortgage Bankers of America, estimates that, on average, more than 900,000 immigrants entered the U.S. legally each year during the 1990s. The study also indicates that the net inflow of illegal aliens was on the order of 300,000 annually. Furthermore, homeownership by immigrant households has averaged about 50% during the past 20 years. While the rate of homeownership was more than a 67% rate that was achieved by native-born households during the year 2000, it is, nonetheless, a very important segment of the U.S. housing market (as cited in Brueggeman, 2002, p. 11).

<div align="center">Redevelopment</div>

Overview

There is limited research on residential real estate redevelopment. In addition, redevelopment has many different definitions and synonyms. For example, the term

gentrification is at times understood to refer only to the up-scaling of working-class residential neighborhoods, which can easily be confused with the definition of redevelopment used in this paper. However, according to Howell, gentrification refers to any reclaiming of urban space by people of a higher socioeconomic position than the current users. There are many reasons why redevelopment would occur. For example, Howell believes that urban renewal and gentrification both remake cities in the image of the upper classes (Howell, 2005, pp. 32-33).

To really understand why cities undertake redevelopment projects, it is important to understand the events that have taken place that have caused a need for redevelopment. The concept of abandonment explores this point further. According to Sternlieb, Hughes, Bleakly, and Listokin, to abandon a house is to neglect the responsibilities of ownership regarding minimum functional, financial, and physical upkeep. According to Keenan, Lowe, and Spencer, abandonment is different from vacancy, a status referring to whether a property is occupied or not. Vacancy can be the result of normal turnover and can be temporary, long-term, or permanent. Knowing that a property is vacant indicates nothing about its financial or physical condition. Contrarily, Sternlieb and Burchell describe abandonment as a staged process. Furthermore, several other researchers have noted that not all properties pass through the same stages, however, or in the same order as there are multiple causal pathways leading to abandonment. The abandonment process is better understood as a cycle rather than a linear series of events, i.e., even demolition of a residential building can lead to new investment. Furthermore, abandonment is often

reversible because owners can resume meeting their responsibilities for upkeep, taxes, and utilities (as cited in Hillier, Culhane, Smith, & Tomlin, 2003, p. 93).

According to a study by Costa and Hanten in 1988 and a study by O'Flaherty in 1993, housing abandonment has three distinct aspects: functional, financial, and physical. Functional abandonment occurs when a property is no longer fulfilling its role as a residence. Vacancy, suspension of mail service, utility terminations, and the sealing of doors and windows are all indicators of functional abandonment. Financial abandonment relates to disinvestment and occurs when owners stop meeting their minimum financial responsibilities and properties begin accumulating debt in excess of equity. Property tax arrearages, defaulted mortgages, and liens are all indicators of financial abandonment. Physical abandonment occurs when owners neglect the interior or exterior upkeep of a property. This could include minor violations of the housing code that relate to the safety and comfort of occupants or more serious structural problems. While it is often unsafe for people to live in these structures, vacancy is not a necessary precondition of physical abandonment, particularly since squatters or people with limited housing options may view these as viable sources of shelter (as cited in Hillier, Culhane, Smith, & Tomlin, 2003, pp. 93-94).

An important component of the redevelopment process is to identify properties that need redevelopment in all stages of the abandonment process. Over the past 30 years, community groups, municipal governments, and researchers have identified early warning systems as potentially important tools for understanding, preventing, and managing housing abandonment. By using management information systems often in

combination with geographic information systems technology to integrate property-level and aggregate data, these systems are intended to forecast which properties are at greater risk of abandonment in order to inform planning, intervention, and research. Most early warning systems are generally aimed at identifying properties at risk of physical decline. For example, these systems have referred to deteriorating, distressed, vacant, and problem properties (Hillier, Culhane, Smith, & Tomlin, 2003, p. 92).

Early warning systems are premised on the belief that there are multiple warning signs and opportunities for intervention throughout the process of abandonment. Owners receive code violations and complaints from tenants; city agencies receive complaints from tenants and neighbors; utility companies have unpaid accounts. These warning signs are not necessarily causal factors, but together they signal where a property is in the abandonment process (Hillier, Culhane, Smith, & Tomlin, 2003, p. 94).

There are many different strategies for redevelopment of various types of residential neighborhoods, particularly in urban areas. However, a common trend in many cities is to incorporate an arts revitalization program. For example, in Newark, Detroit, and Los Angeles, there are new museums, new theaters and new performance venues. These new facilities attempt to attract a renewed interest in urban centers. In addition, they attempt to create a destination point or a reason to return to a city (Rosenberg, 2005, p. 6).

A strategic and integrated arts program in a community has many long lasting benefits, which include, but are not limited to, social and economic transformation (Rosenberg, 2005, p. 11). Furthermore, according to Richard Florida, an urban planning

consultant, in an increasingly consumer-based economy, there is an inversion of the socioeconomic hierarchy between the professionals and the artists. The creative class is the "norm-setting class," the new "dominant class in America." In addition, Florida believes that cities should no longer be catering to the traditional professions, trying to bring in jobs by bringing in companies, by creating infrastructure and offering tax breaks. Rather, cities should be bringing in members of the "creative class" with lifestyle amenities. Terry Nichols Clark, professor of sociology at the University of Chicago and the coordinator of the Fiscal Austerity and Urban Innovation Project, believes the city is no longer an industrial engine, or even "growth machine," but rather an "entertainment machine." According to Clark, "Quality of life is not a mere byproduct of production; it defines and drives much of the new processes of production" (as cited in Howell, 2005, pp. 37-38).

The Government's Role in Redevelopment

According to a recent study by the National Low Income Housing Council, 95 million people, one third of the nation, had housing problems (high cost burden, overcrowding, poor quality, or homelessness) in 2001 (FYI, 2004, p. 3). Traditionally, there was only limited support by the United States federal government for redevelopment activities of residential real estate. Housing choice vouchers, also known as Section 8, were one of the few options in existence to motivate private investors to keep residential properties well maintained. These vouchers allow a family to find a home where they want to live, in the private market, without paying any more than they would in public housing. Furthermore, although it has been argued that Section 8 does

not create housing and has been criticized as 'retro-gentrification,' it can be a positive source of community revitalization in a city with a declining population, miles of under populated streets and thousands of vacant buildings. Nevertheless, Section 8 did not provide a complete solution to many of the housing problems that were encountered in the United States, particularly in many urban settings (Rosenthal, 2004, p. 25).

It wasn't until the early 1990s that the housing problems in the United States were finally recognized as a priority issue that needed to be addressed at the federal level. In 1993, the HOPE VI program was created to encourage residents to become self-sufficient and remain on the revitalized site, paying higher rents and creating a mixed income community from within. HOPE VI originated from the National Commission on Severely Distressed Public Housing, which identified 100,000 unsuccessful units of public housing nationwide. Congress responded with a housing appropriations bill that included $650 million for the first year of the new 10-year "Urban Revitalization Demonstration Program," which ultimately grew to a total of $5.4 billion through 2002. After the first few years of large grants to the largest or most distressed housing authorities, the U. S. Department of Housing and Urban Development (HUD) opened up the competition to the rest of the nation and the grants began to decline in size (Rosenthal, 2004, pp. 21-24).

The funds from HOPE VI are distributed for several different purposes. For example, in the 2002 federal fiscal year, out of the $574,000,000 Hope VI funding that was authorized by Congress, there was $40,000,000 awarded for Demolition Grants. HUD also awarded 28 Revitalization Grants, totaling almost $495,000,000, in early

March of 2003. In addition, $30,000,000 in Hope VI funds were distributed for the Housing Choice Voucher Assistance and $11,000,000 was held for HUD's neighborhood networks and technical assistance programs (Poppel, 2003, p. 19).

Most grants are not awarded without prior approval from HUD. For example, Hope VI Demolition Grants may be used to fund demolition of severely distressed public housing, as well as relocation services for public housing residents that are to be relocated from the site being demolished by the housing authority with the Demolition Grant. A housing authority is not eligible for any Hope VI Demolition Grants under the Notice of Funding Availability unless it has first received approval from HUD of its Demolition/ Disposition application submitted under Section 18 of the U.S. Housing Act of 1937, as amended. HUD's decisions on the Demolition Grants are to be made on a first-come, first-serve basis, based on the applicant's Priority Group that are established by HUD (Poppel, 2003, p. 19).

<div align="center">Philadelphia</div>

Demographics

Philadelphia is the fifth most populous city in the United States. Its population at the 2000 census was 1,517,550 and the 2005 U.S. census estimates its population to be 1,463,281. Philadelphia is also the second largest city on the U.S. east coast, and a major commercial, educational, and cultural center for the nation. Furthermore, the Philadelphia metropolitan area, with 5.8 million people, is the fourth largest in the U. S. by the current official definition (United States Census Bureau, 2006).

As of the census² of 2000, there were 1,517,550 people, 590,071 households, and 352,272 families residing in the city. The population density was 11,233.6/square mile (4,337.3/km²). There were 661,958 housing units at an average density of 4,900.1/sq mi (1,891.9/km²). As of the 2004 Census estimations, there were 1,463,281 people, 658,799 housing units, and the racial makeup of the city was 45.0% White, 43.2% African American, 5.5% Asian, 0.3% Native American, 0.1% Pacific Islander, 5.8% from other races, and 2.2% from two or more races. Hispanic or Latino of any race were 8.5% of the population. The top 5 largest ancestries include Irish (13.6%), Italian (9.2%), German (8.1%), Polish (4.3%), and English (2.9%) (Brookes, et al., 2005).

The effects of the recent real estate market have caused a dramatic change in the demographic structure of many neighborhoods. For example, Center City, defined as the area between the Schuylkill and Delaware rivers, from Popular Street on the north to Christian Street on the south, now has about 88,000 residents, making it the third largest downtown housing market after New York and Chicago, according to the Center City District, downtown Philadelphia's nonprofit business improvement district. Unlike the city as a whole, where population is down from a high of just over two million in 1950, Center City Philadelphia has seen dramatic growth in its residential population. Specifically, Center City has increased its population 12% since 2000 and 17% since 1990. If the current trend continues, say Center City District Officials, the downtown population could reach 105,000 by 2010 and basically absorb now distinct neighborhoods to the north and south (Slobodzian, 2006, p. 11).

Chinatown, a Center City neighborhood, is a more specific example of a Philadelphia neighborhood that has recently experienced a dramatic change in its demographic structure, which was caused by the effects of the real estate market. Chinatown, whose history can be traced to 1870, was traditionally a gateway for new Asian immigrants who needed an inexpensive place to stay and work. However, the growth of Center City has caused many former residents to search for affordable housing beyond their traditional neighborhood borders, particularly in South Philadelphia. This trend is likely to continue as Center City continues to expand (Slobodzian, 2006, pp. 10-13).

A national study released last year by the Brookings Institution found that downtown Philadelphia remains home to the city's richest and poorest residents. Citing 2000 census figures, the study contrasted Center City's wealthiest census tract (median annual income of $87, 027) with the poorest ($8,349). The city has an overall median income of just over $30,000 (Slobodzian, 2006, p. 11).

History

Philadelphia was founded and developed in 1682 by William Penn and is one of the earliest examples of a planned city. William Penn's surveyor, Thomas Holme, laid out the city in a strict grid, with streets running either north and south or east and west. Penn hoped that the city, as the new capital of his colony of Quakers founded on principles of freedom and religious tolerance, would be a model of this philosophy. Thus, the name of Philadelphia is translated in Greek as "brotherly love." Philadelphia is one of the oldest and most historically significant cities in the United States. During part

of the 18th century, the city was the first capital, the most populous city in the United

States, and the second largest English-speaking city in the world after London. At the

time, its political and social importance in the United States was attributed to Benjamin

Franklin. Many innovations that happened in Philadelphia have become an important

part of modern American society and the world. These national firsts include, but are not

limited to: modern skyscraper, computer, zoo, mint, stock exchange, bank, municipal

water system, art school, art museum, secular university, hospital, eye hospital, cancer

hospital, pediatric hospital, medical school, fire company, fire insurance company, fire

engine, public library, and botanical garden (Wikipedia, *Philadelphia,* 2007).

Philadelphia's architectural history dates back to colonial times and has included

a wide range of styles, sometimes clustered within a range of several blocks. Most of the

city's historic landmarks are in Old City and the historical district in the Society Hill

neighborhood east of Center City, including Independence National Historical Park,

home of Independence Hall and the Liberty Bell (United States History, 2008). The

city's heart remains home to vibrant, mixed-use neighborhoods and a wealth of

noteworthy buildings by such architectural luminaries as Frank Furness in the 19th

century and Louis Kahn and Robert Venturi in the 20th century (Knack, 2006, p. 14).

The modernization of Philadelphia began with the arrival of the City Beautiful in

1906, when Paul Cret, Horace Trumbauer, and Charles C. Zantzinger designed the

Benjamin Franklin Parkway. This Hausmann-esque boulevard cut through Penn's grid

from a site on the Schuylkill River, which would later house the new Museum of Art, in

the northeast, to city hall at its southeast terminus. In 1917, the parkway would be

converted "from an urban boulevard to a green wedge of park" by the landscape architect Jacques Greber (Howell, 2005, p. 33).

In the post-World War II era, the leadership of the nationally renowned city planner Edmund Bacon transformed several neglected parts of Center City, including the famously rags-to-riches neighborhood of Society Hill (Knack, 2006, p. 14). Edmund Bacon's career began with his 1932 master's thesis at Cornell, a Burnham-inspired Civic Center for Philadelphia, which removed city hall and relieved the traffic jam with a half roundabout that surrounded a plaza. When Bacon took over as director of the Planning Commission in 1949, he had given up on the civic center but started advocating for the plaza. It appeared first in the West Plaza-Hahnemann redevelopment area, which was later broken into two smaller redevelopment projects. The plaza ended up part of the Penn Center developments, receiving both federal and local funding. Designed by Vincent Kling, the park opened in 1965 and was dedicated the John F. Kennedy Plaza in 1967 (Howell, 2005, p. 33).

Philadelphia was a leader in urban revitalization again in the mid 20th century. "This is a city that was a leader in planning in the 1950s and 1960s, when there was a lot of federal funding for planning, and the focus was on deteriorating neighborhoods," says Paul Levy, executive director of the Center City District, a business improvement district that has installed new downtown streetlights and sidewalks and initiated litter control and promotional programs since 1991 (Knack, 2006, pp. 14-15).

Nevertheless, Philadelphia experienced many blight problems beginning in the 1970s and lasting for over 25 years. "Funding suffered when federal dollars became

progressively less available in the 1970s," says Levy. "And since then, planning has tended to focus on responding to decline, with fewer resources devoted to the middle and upper income neighborhoods that make up almost half the city" (Knack, 2006, p. 15).

Philadelphia Housing Authority

Philadelphia Housing Authority (PHA) was established in 1937 and is the nation's fourth largest housing authority. In addition, with a budget totaling $350 million, they employ approximately 2,000 people (Philadelphia Housing Authority, 2006). The PHA currently has 47 housing projects in the city: 27 are designated as family developments; seven are for families and seniors, and 13 for seniors only. Overall, the PHA houses some 80,000 people. Between 1999 and 2004, the authority redeveloped six large projects, and plans for eight other projects are in the pipeline. Furthermore, there are approximately 46,000 names on PHA's waiting list for public housing (Slobodzian, 2006, p. 13).

For many years, PHA had developed a reputation as an inefficient, poorly-run organization. However, in the past decade, PHA had redefined its organization and has come to be identified as a leader in the nation's public housing authority. PHA Carl Greene, CPM, executive director of the Philadelphia Housing Authority believes that residents of public housing are much better off today than a decade ago. According to Greene, "Back then (before the early 1990s) we (public housing authorities) were focusing on maintaining physically distressed properties. We couldn't demolish them, and we could not rebuild. The idea was to maintain the existing structures as best you can" (Pekala, 2002, p. 68).

The Old Philadelphia: A Distressed City

Philadelphia has had several different problems over the past 3 decades that may be reasons for many recent revitalization efforts. First, like many American cities, Philadelphia saw a gradual rise in crime in the years following World War II. Murders peaked at 503 in 1990, for a rate of 31.5 per 100,000, and they averaged around 400 a year for most of the 1990s. In 2002, the murder count hit a low of 288, but by 2006 the annual total had surged to 403. In 2005, Philadelphia was ranked by Morgan Quitno as the sixth most dangerous city with a population of over 500,000, out of a total of 32 such cities. Furthermore, Philadelphia's neighbor city, Camden, New Jersey, was ranked as the most dangerous city in the United States (Wikipedia, *Philadelphia,* 2007).

Another major issue that may be attributed to recent revitalization efforts in Philadelphia is the vacancy and abandonment problem for its residential structures. Philadephia has the highest per capita vacancy rate in the country, with approximately 26,000 vacant residential structures and nearly 3,000 vacant commercial and industrial structures. Abandoned for decades, almost a quarter of these buildings present a serious threat to the public's health and safety (City of Philadelphia, *Neighborhood transformation initiative: Demolition,* 2007).

The New Philadelphia

The previous problems have been recognized and are being addressed by Philadelphia's government. Several years ago Philadelphia's mayor, John Street, has proposed spending $250 million on an ambitious program to attack blight and transform neighborhoods. Under his plan, properties will be demolished, rehabilitated,

encapsulated for later rehabilitation, or left alone (as cited in Hillier, Culhane, Smith, & Tomlin, 2003, p. 103).

A major example of Philadelphia's recent attack on its blight problems is the creation of the Neighborhood Transformation Initiative (NTI). NTI, unveiled in April, 2001, is an unprecedented effort to counter the history of decline in the City of Philadelphia and revitalize its neighborhoods (City of Philadelphia, *Neighborhood transformation initiative: What is NTI?,* 2007). The general objective of the NTI demolition program is to protect the health, safety, and general welfare of Philadelphia residents by drastically reducing the city's inventory of imminently dangerous buildings (City of Philadelphia, *Neighborhood transformation initiative: Demolition,* 2007). Specifically, the NTI has six major goals that they strive to accomplish, which include:

1. Planning.

Facilitate and support community based planning and the development of area plans that reflect citywide and neighborhood visions.

2. Blight elimination.

Eradicate blight caused by dangerous buildings, debris-filled lots, abandoned cars, litter, and graffiti to improve the appearance of Philadelphia streetscapes.

3. Blight prevention.

Advance the quality of life in Philadelphia neighborhoods with a targeted and coordinated blight prevention program that enforces city codes and abates public nuisances.

4. Redevelopment through land assembly.

Improve the city's ability to assemble land for development.

5. Housing investment and neighborhood preservation.

Stimulate and attract investment in Philadelphia neighborhoods.

6. Leveraging resources.

Leverage resources to the fullest extent possible and invest them in

neighborhoods strategically. (City of Philadelphia, *Neighborhood transformation*

initiative: What is NTI?, 2007)*.*

New Strategies

Philadelphia has utilized several new strategies to implement its redevelopment

goals. First, Philadelphia has incorporated the role of arts into its development scheme

through its creation of arts districts (Rosenberg, 2005, p. 6). Specifically, during the late

1990s, Philadelphia launched a major initiative to recreate Broad Street, the city's most

significant street, as "the Avenue of the Arts." A new dance school and jazz center

anchored the southern end, which was lined with new and renovated theaters and a $450

million performing arts center. The University of the Arts expanded with new space on

both sides of the Avenue, and students and theater-goers activated the street. Coffee

shops and restaurants moved in and a Broadway atmosphere was generated (Rosenthal,

2004, p. 26).

Philadelphia's new focus on arts and culture may be attributed to its new

demographics. According to Steven Gartner, president of Philadelphia-based Metro

Commercial Real Estate, Philadelphia is experiencing an increase in residents he titles

"jobbers." The characteristics of this group include younger, ex-suburbanites, who enjoy

the convenience of the city. Furthermore, they gravitate toward nearby restaurants, clubs, and cultural venues in their spare time. Gartner predicts that there will be a continued increase of this group in downtown Philadelphia. Thus, more master-planned, urban communities will come into being, with an emphasis on the multi-family, retail and office mix (Catering to Philadelphia's jobbers, 2005, p. 23).

Philadelphia's redevelopment efforts have also incorporated a public relations strategy. Public relations are a management function that establishes and maintains mutually beneficial relationships between an organization and the community it serves. The Philadelphia Housing Authority, under the leadership of Carl Green, understands the significance of incorporating public relations into their organization's goals. For example, public relations has helped shift PHA's reputation in recent years from an agency in charge of the projects to one that is a major force for positive neighborhood change. Their consistent theme is wrapped around their slogan, "Building Beyond Expectations" (Jacobs, Norton, & Dorn, 2006, p. 20-22).

Philadelphia has also incorporated a more supportive technological strategy. Two years ago, Standards and Poors wrote a report that said PHA had the best technology of any housing authority it had evaluated (Jacobs, Norton, & Dorn, 2006, p. 22). An example of these technological efforts is the Philadelphia Neighborhood Information System (NIS). The NIS is an on-going collaboration between the University of Pennsylvania and the city of Philadelphia designed to integrate housing information into web-accessible mapping applications and to support early warning research. A risk scoring system could inform the decisions to attack blight and transform neighborhoods

by using certain cutoff points to indicate which properties are worth investment and which are too far along in the abandonment process (Hillier, Culhane, Smith, & Tomlin, 2003, pp. 92- 103).

Philadelphia has also integrated an entertainment strategy into its redevelopment plans. Recently, responding to a mandate from the common wealth of Pennsylvania, the city created a special zoning classification for gambling casinos. This will adopt the recommendations of the casino industry. Five competing proposals have been made public, calling for enormous, auto dependent, big box complexes that meet the classification requirements but have likely host such as Northern Liberties up in arms. Two casinos will be built (Knack, 2006, p. 15).

Recent Progress

Since the inception of HOPE VI in 1993, Philadelphia has seized an opportunity to improve the aesthetics of its infrastructure and the quality of life for its residents. Redevelopment efforts, fueled by federal funding, have had a positive affect on large sections of Philadelphia. Several major examples of this can be found within its public housing projects. HOPE VI has assisted the city of Philadelphia in improvements at the Richard Allen, Raymond Rosen, and Schuylkill Falls sites. In addition, an environmentally "green" HOPE VI project is beginning on the other side of the Schuylkill, at Mill Creek. Furthermore, a few blocks south of city hall, the Martin Luther King project is in the final stages of completion (Rosenthal, 2004, p. 26).

Philadelphia public housing projects were recognized for many years as a source of decay, crime, and social problems for residents of the complex and its surrounding

neighborhood. However, now many of these projects have become an inspiration to the community redevelopment activities. For example, the Martin Luther King development was built on the former site of four public housing high-rise towers created in 1960, and compromises 245 homes built in Victorian style to complement the surrounding neighborhood (News briefs, 2006, 63(2), p. 17). Another example is the improvements made at the Schuylkill Falls site. Conditions at the complex had deteriorated so badly that no residents had lived there since 1976. Nevertheless, the original two high-rise apartment buildings of Schuylkill Falls were demolished in December 1996. The cost of construction of the new Schuylkill Falls will depend on how many homes ultimately are built, but HOPE VI funding accounted for the first $26 million (New development replaces old style housing, 2004, p. 13).

Tasker Homes is another example of Philadelphia's recent revitalization efforts. Built in 1941, Tasker Homes was Philadelphia's oldest public housing project. Plagued by environmental, utility, and drainage problems, it was demolished a few years ago by PHA. The 1,077 unit project was replaced by its successor, the Greater Grays Ferry Estates, a development with an amenities' package that are not typically found in other public housing in the United States (Streets of Philadelphia, 2004, p. 10).

PHA has received many awards for it efforts and it new outstanding reputation. For example, the Philadelphia Housing Authority's Martin Luther King development in South Philadelphia won a National Association of Homebuilders Pillars of the Industry Award for "Best Affordable Apartment Community" (News briefs, 2006, 63(4), p. 16). Earlier in the same year, the development was also given a 2006 Institute of Honor

Award for Regional and Urban Design by the American Institute of Architects. The PHA development is one of only eight worldwide awarded this honor (News briefs, 2006, 63(2), p. 17).

The Philadelphia Housing Authority also received an award from the Counselors of Real Estate for its Housing Choice Voucher Program rent assessment system. The award recognizes the system's success in lowering rental costs and increasing efficiency for the housing authority (News briefs, 2006, 63(4), p. 16). Furthermore, another report from Standard and Poors awarded PHA its highest credit rating (Jacobs, Norton, and Dorn, 2006, p. 22).

The Need for Alternative Funding

Recently, HOPE VI funds have become scarce. Therefore, PHA has turned to other approaches to raise capital to continue its redevelopment plans. First, money intended for Section 8 rental vouchers is being diverted for use in building new units (New development replaces old style housing, 2004, p. 13). In addition, an agreement reached between Philadelphia mayor John F. Street and a coalition of 100 housing organizations will result in an ordinance that would create an affordable housing trust fund that is expected to generate at least $10 million a year. The Philadelphia Office of Housing and Community Development (OHCD), which will oversee the fund, predicts it will create about 275 additional homes each year, assist more than 900 homeowners with home repairs and prevent nearly 1,000 families from becoming homeless (Grants and funding, 2005, p. 16).

PHA has also experimented with a unique approach to raising capital for its future redevelopment plans. According to Carl Greene, PHA's executive director, Philadelphia is the first housing authority to take advantage of a provision in the housing law changes that were done in 1996. That is, the law permitted PHA to borrow against future federal appropriations. They issued revenue anticipation bonds that were sold on Wall Street as AAA-rated bonds and were securitized by future federal appropriations as opposed to the project. For example, PHA employed an innovative mix of bonds and tax credits sold to private investors to fund the $165 million project at the Greater Grays Ferry Estates, a creative solution unheard of among public housing authorities (Streets of Philadelphia, 2004, p. 10).

Expected Rate of Return

Overview

According to Case and Shiller, the largest single investment for most American families is the house in which they live, and that house is often the major part of the family's wealth portfolio. Therefore, most homeowners consider the property's investment potential or the expected rate of return in deciding whether to buy a house and what house to buy (as cited in Crone & Voith, 1999, pp. 63-64). There are several major methods of calculating the expected rate of return for real estate. However, only three will be mentioned: time-weighted rate of return, internal rate of return, and net present value.

Time-weighted rate of return relies on the periodic measurement of value accruing to the investor as a result of holding an asset or a portfolio. It has the advantage

of allowing the estimation of standard deviation and correlation, and they are invariant to the amount of the investment at any period. A disadvantage of this method is that the capital appreciation may not be regularly observable when not all assets can be marked to market. A second disadvantage is that it fails to account for investment timing (Fisher & Goetzmann, 2005, pp. 33-34).

The internal rate of return (IRR) is the compound periodic discount rate that sets the present value of an investment's cash flows to zero. The IRR has two advantages. First, it does not rely on intermediate valuations of property. Second, it takes into account the timing of the investment and captures the actual experience of investors over the period. Hirshleifer points out that IRR has two important disadvantages. First, when future cash flows vary in sign, there may be multiple solutions to the IRR. Second, the IRR implicitly assumes that intermediate cash flows may be reinvested at the discount rate (as cited in Fisher & Goetzmann, 2005, p. 34).

Another highly regarded method of calculating the rate of return is the net present value method (NPV). NPV is a linear function of cash flow. Therefore, there is no bias when taking its expectation (Brown, 2006, pp. 197-199).

There has been a debate over the past several decades over which of the major methods of calculating the expected rate of return are more effective. The group that argues for the time-weighted rate of return method believes that there are many problems with the IRR method calculating the rate of return. These include, but are not limited to: the no solution, the multiple solutions, the ranking, the scale, and the simulation problem. Several researchers have found fault with the IRR on theoretical grounds. Young showed

that the variant financial management rate of return provided a specious decision tool. Robichek and Myers complained that a single discount rate should not capture both risk and the time value of money (as cited in Brown, 2006, pp. 195-199). According to Brown, the best solution to all the problems of the IRR is to not use IRR. Instead, he recommends using NPV (Brown, 2006, pp. 197-199).

On the contrary, there are many who argue that IRR is the most effective measure of return. The result of a study by Fisher and Goetzmann demonstrates that the IRR is a powerful tool for measuring the expected return and examining its variations. Particularly useful is an estimate of the premium that real estate provides over inflation (Fisher & Goetzmann, 2005, p. 44).

Literature

There is various literature on the concept of expected rate of return as it applies to real estate. For example, a study by Fisher and Goetzmann suggests that individual portfolio experiences with real estate investing will vary because of individual property differences and the timing of investments. These differences are greatest when the real estate portfolio holdings are small, but they are significant even for large portfolios. The practical implications of this finding are that large pools of properties are required to achieve returns similar to the returns of the population of commercial properties. For example, scale is required for effective diversification and to reduce the risk of failing to meet a benchmark due to the unique characteristics of the properties held by the manager (Fisher & Goetzmann, 2005, p. 44).

Another study by Zeiring and McIntosh investigates the relationship between property size and risk-return profile. Conventional wisdom has suggested that large (or trophy) properties are more stable due to a number of factors. For example, these properties are likely to have, among other things, a greater proportion of credit tenants, the locational advantage of being in highly populated urban centers, and a premium associated with their trophy status. Zeiring and McIntosh analyzed the performance of four property size classes across the 1981-1998 periods and within the four imbedded phases of the real estate cycle: (a) below $20 million; (b) $20-40 million; (C) $40-100 million; and (d) over $100 million. Their results indicate that property size is a powerful moderator of the risk and return relationship across the spectrum of size, and that the largest category of property ($100 million and over), while providing investors with the highest average return, also exhibits the greatest volatility (Zeiring & McIntosh, 1999, p. 105).

Collett, Lizieri, and Ward (2003, pp. 205-222), and Fisher and Young (2000, pp. 327-339) report that in recent years the average institutional holding periods for properties located in the United States, respectively, are slightly less than 8 years. These researchers have also identified factors associated with the length of actual holding periods. For example, they discover that holding periods are related to property type, market conditions, and transaction costs.

Farragher and Kleiman analyze survey data and report that for investment analysis purposes, holding periods vary widely. Gau and Wang analyze data for commercial and apartment properties in Vancouver owned by individuals, partnerships,

and corporations and conclude that holding periods are most closely associated with the property owner's investment and consumption preferences, and current market interest rates. They also observed that for tax-exempt investments such as REITs, the present value of a property is independent of the holding period even if the term structure of interest rates varies over time (as cited in Larsen, 2004, pp. 112-113).

Empirical evidence indicates that individuals may achieve diversification benefits by incorporating real estate investments into their mixed-asset portfolio. The results of the sensitivity analysis conducted in a study by Larsen demonstrate that the return to a direct real estate investor may be affected by changing interest rates. First, he showed that the initial fixed mortgage interest rate impacts either the amount that an investor can afford to pay for the property to earn a particular return, or (holding the purchase price constant) will impact the investor's rate of return. Next, (using holding periods that fall within the range used by institutional investors) it was shown that if the interest rate increases by the end of the investor's holding period, the reversion value may be overstated causing the realized return to be lower than anticipated (Larsen, 2004, pp. 119-120). The results of the study by Larsen demonstrate the importance of incorporating estimates of future loan rates into the direct real estate investment decision-making process (Larsen, 2004, p. 120).

The results of a study by Brueckner indicate that the decision to buy one's residence is necessarily a joint consumption-investment decision, and the investment is a lumpy one, since equity sharing or partial ownership arrangements are not common. Therefore, in practice, the unsystematic risk associated with the structure of one's home

or the neighborhood in which it is located cannot be eliminated by diversification. Meyer and Wieand have shown in a theoretical model that even though this risk cannot be diversified away, the price associated with the risk is the market price that applies to any risky asset in a portfolio. Goetzmann has demonstrated that, if it were practical, diversification both within and among metropolitan housing markets would reduce risk. These studies imply that the offer price for a house whose returns are riskier will be lower than the offer price for an otherwise similar house, and the expected rate of return will be higher (as cited in Crone & Voith, 1999, pp. 63-64).

Berkovec developed a theoretical model demonstrating the positive relationship between risk and expected return in the owner occupied housing market. The model was employed by GAT to examine risk and return in neighborhood housing markets in Tel Aviv (as cited in Crone & Voith, 1999, p. 64). Furthermore, the results of a study by Crone and Voith indicate a strong relationship between housing market risk and return, but the underlying determinants of the risk differentials are not yet well understood (Crone & Voith, 1999, p. 76).

<div align="center">Valuation</div>

Valuation Methods

The history of the methods used to value residential real estate can be traced to the first edition of *The Appraisal of Real Estate,* authored by Frederick Babcock and published in 1924. This publication originally listed eight "methods of appraising" (also called "processes") rather than "three approaches to value." It was not until 1932 in Babcock's second book, *The Valuation of Real Estate*, which he organized his slightly

shorter list of seven methods into three approaches to value (as cited in Roddewig &
Frey, 2006, p. 267).

The standard property valuation literature recognizes Babcock's three main
valuation methods: the methods based on construction costs, rental income capitalization,
and market (usually property sales) data. While the first methods suffer from limited
applicability, the market data analysis has become the most popular method for
residential valuation. However, sometimes (for instance if the markets for a particular
house type are too thin) it is common practice to use heuristic knowledge and the
experiences of valuers (as cited in Kauko, 2004, p. 77).

Many various additional approaches or variants on existing approaches have been
suggested as an official fourth approach to value. Some of these proposals have actually
entered into the appraisal body of knowledge as accepted variations on one of the three
standard approaches rather than as a newly crowned fourth approach. For example,
discounted cash flow analysis is now an accepted variant of the income capitalization
approach to value for many types of income-producing properties. When first used to
value land suitable for subdivision in the 1960s, however, DCF analysis was seen by
some as an alternative fourth approach to value (Roddewig & Frey, 2006, pp. 267-268).

There is a large amount of literature on the different types of valuation methods
used for residential real estate. For example, the repeat sales methods use the observed
sales prices of the same properties at different points in time to create a sample of price
differentials that can be used to estimate the appreciation rates of houses. In 1963,
Bailey, Muth, and Nourse first proposed the application of multiple regression methods to

the estimation of repeat sales indexes (as cited in Calhoun, 2001, pp. 14-15). Case and Shiller extended their approach by accounting for differences in the sampling distributions of price changes observed over different lengths of time between repeat sales. They proposed a weighted-repeat-sales model based on a generalized least squares regression to account for this source of heteroscedasticity in the errors (1989, pp. 125-138).

The sales comparisons method is the traditional method of valuing residential properties, which is done through the use of professional appraisers. Appraisers follow established state and national guidelines in producing estimates of the current market value of a property, relying primarily on comparison with houses recently sold or listed for sale and knowledge of neighborhood trends. This approach is still the most widely used technique to obtain appraisal values on collateral properties securing residential mortgages and as the basis for periodic real estate assessments by local tax authorities. The major criticism of this approach is that it is subjective (Calhoun, 2001, pp. 13-14).

Hedonic methods employs multiple regression techniques to estimate the contribution to total value of specific property characteristics such as: number of bedrooms, number of bathrooms, number of fireplaces, parking facilities, living area, and lot size. These methods may not provide adequate measures of important differences in neighborhoods and other environmental factors or externalities affecting the market value of a property (Calhoun, 2001, p. 14).

Several hybrid methods have been attempted. Case, Pollakowski, and Wachter investigate a hybrid of the hedonic and repeat sales methods, utilizing repeat transactions

when available, but otherwise using hedonic information to control for differences in quality and to confirm that no significant physical changes have occurred for properties with repeat observations (1991, pp. 286-307). In addition, other hybrid methods have been proposed that introduce a spatial dimension, such as the distance weighted repeat-sales method advanced by Goetzmann and Spiegel (1995, pp. 199-207).

Another common valuation method uses automated valuation systems. Analysts, agencies, and firms in the United States have been able to overcome various methodological hurdles and data deficiencies to reach the point where automated valuation systems now represent a viable alternative to manual valuations by professional appraisers. However, no ideal method or data source currently exists, and all of the major asset valuation models currently in use in the United States depend on the application of more than one methodological approach and data source. Furthermore, a similarly eclectic approach is likely to be required when attempting to apply knowledge gained from the U. S. experience to property valuation in other countries (Calhoun, 2001, p. 13). There are several automated property valuation methods that are used, which include: computer assisted assessments and appraisals, rules-based artificial intelligence, and artificial neural networks (Calhoun, 2001, p. 15).

In the late 1990s, another technique, contingent valuation, began to be suggested by some as a fourth approach to value. However, this valuation method has been in use for more than 40 years, typically as a technique for measuring the value of noneconomic goods (goods that do not trade in an active marketplace). The most frequent uses of contingent valuation in the past few decades have involved natural resources issues, such

as air and water quality, outdoor recreational opportunities, wetlands, wilderness areas, endangered species habitat, and scenic views (Roddewig & Frey, 2006, pp. 268-269).

The contingent valuation technique involves a formal survey process. Participants in the survey are typically asked how much they would be willing to pay for a specific benefit, good, or service. The valuation result is contingent because those surveyed are asked to state their willingness to pay contingent upon the survey's specific hypothetical case or set of conditions. The technique is sometimes called a stated preference method since it is based on what people say they would do given a set of facts. This differentiates contingent valuation from a study of actual sales transactions in the marketplace, sometimes called a revealed preference method, since sales transactions reflect what people actually do in the marketplace rather than say what they would do. The sales comparison, income capitalization, and cost approaches are revealed preferences methods since they are based on actions of actual market participants rather than opinions about hypothetical future actions (Roddewig & Frey, 2006, p. 269).

A study by Roddewig and Frey indicated that contingent valuation was neither an accurate nor reliable indicator of market prices or trends in the market situations in which it was applied. As a result, their study concludes that contingent valuation is not an appropriate fourth approach to value of real estate because it does not incorporate the many factors that go into real estate purchase and sale decisions (Roddewig & Frey, 2006, p. 268).

Valuation and the Government

The problem of selecting a valuation method for property exists at the governmental level as well. For example, many states, including Pennsylvania and New Jersey, tax real estate based on its fair market value. However, in arriving at that taxable fair market value, tax assessment boards are typically entitled, or even required, to consider the three traditional valuation approaches. Nevertheless, disparities exist that present assessment boards with a dilemma in choosing the appropriate method to arrive at a taxable assessment (Kerr, 2003, p. 20).

The government also has different procedures for valuing property. That is, the government may use simple rules for appraising properties, whereas the market employs more complex rules (Clauretie, Kuhn, & Schwer, 2004, p. 317). Furthermore, evidence from a study by Clauretie, Kuhn, and Schwer of a sample in Clark County, Nevada demonstrates that government appraisers do not value a residential property and its various characteristics equally to the market. Overall, government appraisers under-appraised low value properties and over-appraised more valuable properties. On balance, they over-appraised all properties by approximately 17% (Clauretie, Kuhn, & Schwer, 2004, pp 325-326).

Eminent domain is a good illustration of the government's use of valuation. There are three ways that compensation for eminent domain takings using government appraisals may deviate from market values. First, the appraisal may severely under-value the property. If homeowners suspect under-valuation, they may initiate litigation. Since litigation involves considerable time and use of administrative resources, the government

has an incentive not to under-value properties. Second, there may be a small or moderate under-valuation. Property owners are likely to accept the offer rather than incur significant litigation costs in excess of the under-valuation. Third, there may be over-valuation, obviously not a basis for litigation. Over-valuation will reduce administrative costs while shifting the expense to a third party, the taxpayers. All in all, the prospects of litigation create an incentive for governments to be willing to offer payment over and above market-determined values. Thus, appraisers, acting as agents for the government, may respond in accordance with these wishes (Clauretie, Kuhn, & Schwer, 2004, pp. 317-318).

Valuation Techniques

There are several valuation techniques for supporting and documenting the comparable selection process. They can be used alone or in combination to persuasively demonstrate that the best available sales data have been employed in the analysis. These include: emphasize location, select comparables from the subject neighborhood or market, select the best comparables, map the selected sales, use photographs, establish value boundaries, use additional comparables to reinforce the value indication when the quality of the three primary comparables is poor (e.g., the sales are not highly similar, do not bracket the subject, or numerous/ large adjustments are required), investigate comparable listings, acknowledge potentially relevant data and explain why it was ultimately excluded from the analysis, and admit weaknesses (Accetta, 1999, pp.168-169).

After selecting the comparables, the adjustment process is a key factor in producing a convincing appraisal report. The adjustment process requires that the appraiser: (a) identify the elements of comparison; (b) decide if an adjustment is warranted; and then (c) apply the proper adjustment amount (Accetta, 1999, p.169).

The Uniform Standards of Professional Appraisal Practice requires that appraisers consider and analyze any prior sales of the property being appraised that occurs within 1 year for one to four family residential properties. This is the minimum standard. A convincing appraisal exceeds minimum standards and investigates any prior sales that might be relevant, even those that are over 1 year old. A good practice is to report the prior sales, whenever they occurred. The prior sale is a common benchmark for clients in evaluating the appraisal, even if the sale is 3 or 4 years old (Accetta, 1999, p.172).

Factors Affecting Valuation

There are many different factors that affect the valuation of residential real estate. The effects of neighborhood factors on the value of nearby properties have been systematically examined in the literature. For instance, Pettit and Johnson examined the effects of landfills (as cited in Simons, Quercia, & Maric, 1998, p. 148). There was also research on the negative proximity influence of underground storage tanks (Simons, Bowen, & Sementelli, 1997, pp. 29-43; Nelson, Genereux, & Genereux, 1992, pp. 359-366) and air pollution (Ridker & Henning, 1967, pp. 246-258). Furthermore, a study by Flynn, MacGregor, Hunsperger, Mertz, and Johnston demonstrated that stigmatization had an effect on property value (Flynn, MacGregor, Hunsperger, Mertz, & Johnston, 2004, p. 36).

A number of factors affecting a neighborhood's social fabric have also been examined. These include racial considerations (Vandell & Zerbst, 1984, pp. 109-135) and crime and vandalism (Li & Brown, 1980, pp. 125-142). Generally, undesirable traits (for example, pollution and crime) have been found to have a negative effect on house prices. Contrarily, desirable traits have been found to have positive effect (Simons, Quercia, & Maric, 1998, p. 148).

According to Segal, new housing concentrated in a particular block is more likely to have an impact on property values in the surrounding areas. This suggests that there is a correlation between the concentration of a large number of new units and the value of nearby existing properties (as cited in Simons, Quercia, & Maric, 1998, p. 148). Furthermore, some research indicates that the geographic impact of most new housing is expected to be limited (DeSalvo, 1974, pp. 269-278; Quigley, 1982, pp. 177-202). These contentions, however, must be taken with caution because they refer mostly to the effect of subsidized housing (Simons, Quercia, & Maric, 1998, p. 148).

According to a study by Simons, Quercia, and Maric, property tax delinquency, a proxy for neighborhood disinvestment, is found to have a significant and negative impact on prices in all of their regression models. In contrast, new construction is found to have a significant and positive effect on prices in most, but not all, models. Subject to the caveat that there may potentially be spatial autocorrelation in the regression models due to the cross-sectional nature of the data, both these results suggest that neighborhood attributes capturing neighborhood changes should be included explicitly in valuation models. These results pertain not only to the appraisers conducting individual valuation

assignments, but to underwriters striving to effectively manage default risk in central cities. In addition, this study suggests two additional issues. First, the effects of new construction and disinvestment on sale price are found to differ depending upon location. Second, Simons, Quercia, and Maric find some indication that the degree of concentration of new construction makes a difference in terms of the significance of its effect, which is consistent with prior work by Segal and Varady (as cited in Simons, Quercia, & Maric, 1998, pp. 158-159).

Recently, there has been research attempting to demonstrate that the characteristics of a property can be specifically attributed to a change in the valuation of that property. For example, a study by Sirmans and MacPherson provides extensive information on the effects that a home's attributes has on its selling prices. The conclusions of this study are consistent with previous research based on more limited data. That is, a number of physical and locational attributes can either add to, or subtract from, a property's value (2003).

There is very little economic literature about the effect of immigration on the valuation of the housing market. However, immigration in the United States and other industrialized countries is a large contributor to housing demand, especially for rental units (Saiz, 2003, p 502). Consequently, immigration tends to increase rents in the short-run. However, the longer-run effect of immigration on rents and prices, as a Miami case study by Saiz suggests, may depend on whether immigration is perceived as a negative amenity by previous residents. There is further research needed to identify the interaction between immigration and preferences for residential segregation. Nevertheless, Saiz

emphasizes that social interactions are an important aspect of the valuation of the housing market (Saiz, 2003, p. 518).

Another factor that may affect valuation is ethics. Although there is limited research in this area, Roulac suggests that negative ethical practices are a major contributor to the current high valuation of the United States real estate market. Specifically, Roulac argues that the real estate sector overall and the housing sector have substantially benefited from the recent ethical crisis in corporate America. The following six steps are an illustration of his theory. First, pervasive ethical abuse reduced confidence in corporate America. Second, this reduced confidence led to reduced inclination to invest in corporate securities, which caused lower share prices. Third, investors then withdrew capital from corporate securities. Fourth, these funds withdrawn from corporate securities were invested in real estate, especially housing. Fifth, the housing prices increased. Finally, housing prices attracted more capital to real estate (Roulac, 2006, p. 24).

Real Estate Indexes

House price indexes are a major component of the valuation process. They are used to track the national, regional, and local performance of residential real estate (Calhoun, 2001, p. 12). There are various housing price indexes that have been created. Since the 1960s, the U.S. Department of Commerce has issued constant quality house price indexes for new homes sold and listed for sale. For example, the Commerce Constant Quality Index is a hedonic house price index based on data from the Housing Sales Survey conducted by the Bureau of the Census. Other indexes include: National

Association of Realtors (NAR) existing house price series, Case-Shiller Repeat-Sales

Indexes; Conventional Mortgage Home Price Index (CMHPI) developed by government

sponsored enterprises such as Fannie Mae and Freddie Mac; and the OFHEO HPI. The

OFHEO is the financial safety and soundness regulator for Fannie Mae and Freddie Mac.

Since 1995, OFHEO has published quarterly index series for the nation, the nine Census

divisions, and the 50 states and the District of Columbia (Calhoun, 2001, pp. 16-17).

In addition to indexes that focus on residential property there are also indexes that

focus on commercial property. It is important to include a brief discussion of commercial

property indexes because commercial real estate is one of the most important asset

classes in institutional investment portfolios (Fisher & Goetzmann, 2005, p. 44).

Furthermore, commercial real estate indexes are a large part of the literature on real estate

indexes and valuation of real estate.

The National Council of Real Estate Investment Fiduciaries (NCREIF) Property

Index (NPI) is the most widely used price index in the real estate investment industry in

the United States (Fu, 2003, p. 78). Furthermore, the NCREIF has the largest, richest,

and the most complete database of commercial property investment ever created. There

isn't any other comparable source of information. It has the particular advantage of

including properties actually purchased and sold by institutional investors with the

intention of generating returns for their beneficiaries (Fisher & Goetzmann, 2005, p. 38).

The NCREIF database consists of properties that are held by investment managers

on behalf of tax-exempt pension funds. Members of NCREIF contribute individual

property data quarterly that include the acquisition price, net operating income, capital

expenditures, and market value of each property. When a property is sold, the sale price of the property is reported. The NCREIF index currently includes information on approximately 4,000 properties, although the total number of properties reported at one time or another to the NCREIF database since inception is approximately double this number. The total appraised value of the current NCREIF index properties as of second quarter of 2004 was approximately $140 billion (Fisher & Goetzmann, 2005, p. 36).

NPI appreciation return is based on the quarterly change in the reported appraisal value of the portfolio adjusted for any capital improvement and partial sales for the quarter. The NPI index is comprised of the inclusion of stale appraisal reports, those that are largely based on the previous valuation of the same property rather than based on the genuine reappraisal. The presence of the stale reappraisal also results in seasonality in NPI appreciation return; in particular, the lagging error in the fourth calendar quarters tends to be relatively smaller than in the other quarters because most properties in the NCREIF sample are genuinely reappraised in the fourth calendar quarters (Fu, 2003, p. 78). Geltner and Goetzmann propose a repeated-measure-regression method to reestimate the NPI appreciation index using only genuine appraisal reports. The resulting index, which NCREIF publishes as the Current Value Indicator (CVI), is more informative than NPI due to the absence of the influence of the stale appraisals and is subject to less artificial seasonality in appreciation return (2000). However, as documented in Clayton, Geltner, and Hamilton, CVI would still be subject to a lagging error due to the partial adjustment tendency in genuine reappraisals (2001).

Real Estate Index Literature

There has been limited research on indexes. However, most of the research has been over the past 20 years. Studies examining the performance of real estate assets in the portfolio investment context have recognized the inadequacies on real estate return measures based on appraisal based indices such as NCREIF indices (for example, Firstenberg, Ross & Zisler, 1988; Giliberto, 1988). In addition, Ling and Naranjo, using both appraisal based-indices and transaction-based real estate valuations, find that risk factors are priced differently between the private commercial real estate markets and the stock market (1999).

There has been a large amount of research on improving real estate market performance measures focusing mainly on correcting biases resulting from partial adjustment to market news, called appraisal smoothing, and seasonality in reappraisal activities (Fu, 2003, pp. 76-77). Quan and Quigley demonstrate that smoothing is consistent with optimal inference for the market value of individual properties when observed price information is noisy (1989). Nevertheless, smoothing in individual appraisal reports results in less informative aggregate price indices. The most widely used method for correcting the smoothing bias is the reverse engineering method (Fisher & Geltner, 2000). The basic idea is to make up the shortfall in current price adjustment by magnifying the difference between the current appreciation return and the previous appreciation return of the observe index. Corgel and DeRoos find the various reverse engineering applications produce mixed implications for optimal portfolio allocation to real estate due to their differential, and somewhat arbitrary, effect on the volatility and the

mean of the delagged returns (1999). Moreover, the reverse engineering method tends to further diminish the correlation between the real estate returns and the returns of other classes (Fu, 2003, pp. 76-77).

Earlier applications of the reverse engineering method do not have the benefit of empirical evidence on the extent of partial adjustment in appraisals and sales prices in response to market news. Only recently has research begun to offer such evidence (Fu, 2003, p. 77). For example, Clayton, Geltner, and Hamilton find that appraisers put about 20% of weight on their previous valuation when they reappraise properties (2001). Fu and Ng find that only about half of the effect of the current market news is captured by the contemporaneous adjustments in real estate prices (2001).

Furthermore, the results of another study by Fu also show evidence against the reverse engineering approach (Fu, 2003, pp. 75-98). Fu finds that, after the estimated lagging errors are removed, the commercial properties indices published by the appraisal-based NCREIF returns become more informative and hence exhibit: (a) greater variance; (b) weaker auto correlation; (c) higher correlation with the returns of the securitized real estate; and (d) more timely response to market news (Fu, 2003, pp. 75-98).

Summary

Philadelphia was founded and developed in 1682 by William Penn and is one of the earliest examples of a planned city (Wikipedia, *Philadelphia,* 2007). Since its birth, Philadelphia and its residents have produced innovations that have had a major impact on the American society and the rest of the world. Nevertheless, Philadelphia has had some major urban problems since the early part of the 1970s, which include crime and blight.

This has led to the emigration of many of its residents and a major increase in abandonment of many of its properties.

However, since the inception of HOPE VI in 1993, Philadelphia has used federal funds to recreate the image of Philadelphia. The leadership of the Philadelphia Housing Authority and the Philadelphia government has redefined its image, goals, and strategies. Their decisions that they have made in the past 10 years has helped eradicate the blight from many neighborhoods and increase morale from its residents. Furthermore, the current real estate market condition may have also created an ideal environment to assist the redevelopment of Philadelphia.

In this section, there was an analysis of the concepts of redevelopment, valuation and expected rate of return. These concepts were interrelated to the analysis made of the Philadelphia residential real estate market. In addition, the review of these three concepts assisted in providing further understanding of the survey instrument and thus, the conclusions of this study. In the next chapter, there will be an analysis of the methodology that will be used in this study.

CHAPTER 3:

METHODOLOGY

Introduction

The purpose of this study was to develop a better understanding of the various perceptions of investors in the residential real estate market of Philadelphia County, PA in order to enhance its economic condition. Furthermore, the study was explored through the use of three concepts that play a major role in the activity of the real estate market. Chapter 1 provided an explanation of the problem that was addressed and an overview of the real estate survey instrument that was conducted in this study. Chapter 2 provided a literature review of research of selected aspects of residential real estate in Philadelphia and the related theories that were built on in this study.

A qualitative case study design was implemented in this study, which was blended with selected aspects of the structured interview research design as described by Babbie (2001). The target population was all individuals who currently owned at least one property in Philadelphia for at least 1 year and were affiliated with A.Criniti Realty in South Philadelphia, PA, between the dates of August 13, 2007 and September 10, 2007. There was a purposive sample taken of 20 participants for the individual structured interviews and 5 participants for the focus group. This chapter will elaborate more on these major aspects of the study.

Research Overview

There are many forms of scientific research presented in many different ways. According to Leedy and Ormrod (2005), "Research is a systematic process of collecting, analyzing, and interpreting information (data) in order to increase our understanding of the phenomenon about which we are interested or concerned" (p. 2). From the broadest perspective, there are three major research approaches of inquiry, defined by Creswell as quantitative, qualitative, and mixed methods (2003, p. 6). These three approaches are relevant to three different paradigms. First, the positivist/empiricist orientation supports the use of quantitative methods. Second, the constructivist/naturalist worldview supports the use of qualitative methods. Third, the pragmatic model supports the use of quantitative, qualitative, or a combination or mix of both methods as dictated by the research questions (Tashakkori & Teddie, 1998, p.3).

According to Creswell, research methods (Creswell's terms are *strategies* or *traditions of inquiry*) provide specific direction for procedures in a research design. He identifies several methods and classifies them into different research approaches. First, experimental designs and non-experimental designs such as surveys are considered quantitative approaches. Second, he lists five qualitative methods, which include narrative, phenomenology, ethnography, grounded theory, and case study. Finally, Creswell classifies three methods as mixed methods approach: sequential, concurrent, and transformative (Creswell, 2003, p. 13).

Description of the Research Design

There are many different definitions of a research design. However, Singleton's (1999) definition addresses the common fundamentals of many existing definitions. According to Singleton,

> Research design is a preliminary strategy or outline of a research project. It consists of a clear statement of the research problem as well as plans for gathering, processing, and interpreting the observations intended to provide some resolutions to the problem. (p. 69)

A qualitative case study design was used to conduct this study. However, this design was blended with selected aspects of the structured interview research design as described by Babbie (2001). In order to understand this unique design structure more clearly, a brief analysis of a case study will be presented. The next section will explore the survey aspects of this study.

A case study is a research method that is defined by Creswell as "an exploration of a bounded system or a case (or multiple cases) over time through detailed, in-depth data collection involving multiple sources of information rich in context" (1998, p. 61). Creswell's definition needs to be dissected in order to have a clearer understanding of a case study and its applicability to this study. First, the bounded system that he is referring to is bounded by time and place, and it is the case being studied, a program, an event, an activity, or individuals. This selection process allows the researcher flexibility to choose a style that matches his or her goals for the study. This study was bounded by a timeframe that is current with this research paper and a place of Philadelphia. The case that was studied is the residential real estate market in Philadelphia County, PA (Creswell, 1998, p. 61).

In addition, Creswell's definition allows a case study the freedom to have multiple sources of information that may include observations, interviews, audio-visual material, and documents and reports. This aspect of a case study is different than other research methods because other methods usually use fewer sources. Utilizing this definition, selected aspects of an interview questionnaire were conducted in this study. This interview questionnaire was a blend of Likert scale, open-ended, and profile questions. These multiple sources of information, in addition to utilizing audio material, general observations, existing literature, and a focus group were consistent with Creswell's definition of a case study (Creswell, 1998, p. 61).

Next, the context of a case study involves situating the case within the setting of the researcher's preference. This may include a physical, social, historical, or economic setting for the case (Creswell, 1998, p. 61). This case study was situated in a blend of several settings. Specifically, it took place in the social, historical, and economical settings of the current Philadelphia residential real estate market.

Although there were other research designs and methods that could have been used for this study, the researcher believed that the selected research design was the most appropriate. For example, a quantitative approach would have required statistical analysis. This type of design would have made the data analysis section overwhelmed with unnecessary statistical numbers. This design would also ignore the significant subjective interpretations that are best given with a qualitative approach. Furthermore, a case study design was chosen instead of its counterparts because this method allowed the

researcher the flexibility needed to analyze a complex study like this. This flexibility included the freedom to have multiple sources of information.

<div align="center">Interview Questionnaire</div>

A qualitative case study design was implemented in this study. However, this study was unique because it has incorporated selected aspects of a structured interview research design as demonstrated by Babbie (2001). Furthermore, traditionally the survey research design is perceived as quantitative. However, the use of multiple sources of information within the confines of Creswell's definition of a case study and the lack of statistical data analysis categorized this study as qualitative.

Survey research design is described by Babbie as "the administration of questionnaires to a sample of respondents selected from some population" (2001, p. 270). Furthermore, surveys are one of the best methods available for describing some aspects of a significantly large population. Since this group may be too large to observe directly, data collection would require creating a sample. This sample would be administered standard questionnaires relevant to the topic. Their answers would be used to represent the attitudes, orientations, or opinions of the entire population under study (Babbie, 2001, p. 338).

The use of questionnaires constitutes a major part of the survey research method. According to Babbie, a questionnaire is "an instrument specifically designed to elicit information that will be used for analysis" (2001, p. 239). There are three major methods of administering survey questionnaires to a sample of respondents, which include self-administered questionnaires, surveys administered by interviewers in face-to-face

encounters, and surveys conducted by telephone (Babbie, 2001, p. 253). This case study utilized aspects of the interview survey method to create an interview questionnaire.

The structured interview entails interviewers asking questions to participants orally and recording their responses. Furthermore, there are several advantages to this method. First, structured interviews typically attain higher response rates. This may be due to the awkwardness of turning down an interviewer directly in front of the respondent. Second, the presence of the interviewer often decreases the number of "don't know" and "no answers" on a questionnaire. That is, a properly trained interviewer should serve as a guiding instructor that will help the respondent decide on a quality answer. Third, an interviewer can also serve as a guard against confusing questions. The final advantage of an interview survey is the interviewer can observe respondents as well as ask questions. This may be helpful for the researchers because additional pieces of information about the participants may be acquired and analyzed. This information generally would not be available from other methods (Babbie, 2001, pp. 258-259). These three advantages of an interview survey were demonstrated in the interview questionnaire section of the case study.

A major disadvantage of face-to-face interviews is the cost and time involved. In many surveys, the size of the population may be too large for interviewers to physically assist every participant. Most projects have a budget and a deadline (Babbie, 2001, p. 267). This disadvantage was illustrated in the structure of the study's sample. That is, the use of a large sample in the study was impractical because of time and financial constraints.

Target Population

The target population was all individuals that currently owned at least one property in Philadelphia for at least 1 year and was affiliated with A.Criniti Realty in South Philadelphia, PA, and possibly other real estate brokerage companies in the same area, between the dates of August 13, 2007 and September 10, 2007. There is no indication that these individuals that were affiliated with A.Criniti Realty provided a biased group for this study. These individuals also may have been affiliated with numerous other real estate companies. Therefore, the participants' affiliation with A. Criniti Realty is not believed to have had an effect on the interview questionnaire and/or the results of the study. The researcher tried to eliminate bias in the approach and data analysis of this study. However, as listed in the limitations section of chapter one, it is possible that these areas of the study incorporated the researcher's bias.

Sampling Procedure

A nonprobability purposive/judgmental sampling procedure was used to draw the sample. According to Babbie, this type of sampling method is used when the researcher selects his sample on the basis of his knowledge of the population, its elements, and the nature of his research aims (Babbie, 1990, p. 106). A purposive/judgmental sampling method was necessary because there was not enough control in the study to use random sampling procedures and because of the difficulties of finding subjects willing to participate in a study that required disclosure of sensitive information. However, utilizing a judgmental sample allowed the researcher maximum flexibility to select participants that were diverse enough to facilitate a well-rounded analysis. Additionally,

because of the difficulties of finding individuals purchasing residential real estate from sources other than real estate brokers, a sample frame of real estate brokers was used.

Sample

Two samples were taken from the population for this study for a total of 20 participants. Due to time, financial constraints, and the difficulties of finding participants that would provide quality data for this study, a sample size of 20 participants were selected. The precautions that were taken in this study assured that the purposive sample of 20 participants allowed diversity of perceptions of the residential real estate market in Philadelphia County, PA and may have produced valuable insight to the problem of the study.

The samples were labeled the *small-scale investor group* and the *large-scale investor group*. The small-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least one (but less than five) residential property in Philadelphia for at least 1 year. The large-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least five residential properties in Philadelphia for at least 1 year.

The researcher also used a *focus group* to gather more information about the research questions. This focus group consisted of a sample of 5 participants that were selected by the researcher from the existing 20 participants of the study. Although the

participants from the focus group had overlapped with the participants from the other groups, the researcher believed that this did not impede the purpose of a focus group, as described by Babbie. That is, the purpose of a focus group is to explore rather than describe or explain in any definitive sense (2001, p. 294). Furthermore, the researcher established the focus group for the benefits of group dynamics in relation to the purpose of the study, which makes overlapping irrelevant. These benefits of group dynamics are described by Babbie as frequently bringing out aspects of the topic that would not have been anticipated by the researcher and would not have emerged from interviews with individuals (2001, pp. 294-295). Thus, although these participants were included in the individual structured interviews, the researcher attempted to gather information from the group as a collective whole.

The focus group consisted of 5 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least one residential property in Philadelphia for at least 1 year. This flexible inclusion criteria allowed anyone from either the small-scale investor group or large-scale investor group to participate. The researcher selected partipants using a purposive/ judgemental sampling technique. Utilizing a judgmental sample allowed the researcher maximum flexibility to select participants that were diverse enough to facilitate a well-rounded analysis.

Although the inclusion criterion for the focus group included anyone from both the small and large-scale investor groups, the 5 participants selected by the researcher were all a part of the large-scale investor group. The researcher believed these

particular 5 participants from the pool of 20 participants would provide the ideal focus group discussion. This decision was derived from the researcher's knowledge of the characteristics of each participant and how well they interact with each other. The fact that the focus group members were all a part of the large-scale investor group was entirely coincidental.

The study included individuals who were affiliated with the real estate brokerage company, A. Criniti Realty, in South Philadelphia, PA, and possibly other real estate brokerage companies in the same area, between the specified dates of the study. All information gathered was held confidentially and at no point was any name directly linked to the data. The researcher reported on the findings of the results and did not report any subject's names.

<div align="center">Instrumentation</div>

The instrument that was used is an interview questionnaire that consisted of 10 Likert scale questions, eight demographic questions, and four open-ended questions. The researcher developed the interview questionnaire in a pilot study and refined it thereafter. The revised instrumentation was created from the researcher's personal experience in the real estate business for over 10 years, which included his purchasing of approximately 10 residential real estate properties. Appendixes F and G contain a copy of the interview questionnaire that was used in this study.

The focus group was an open discussion of approximately 10 questions. These questions were designed to foster supplemental information that may have enhanced the

quality of the results of this study. Appendix H contains a copy of the open discussion guide that was used in this study.

Research Questions

1. What are the perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?

2. What are the perceptions of the values of the residential real estate market in Philadelphia County, PA?

3. What are the perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?

4. What are the perceptions of the residential real estate market in Philadelphia County, PA?

Each of these questions was addressed in the interview questionnaire for this case study.

Data Collection Procedures

All of the data for this study was gathered in 2007 and all of the tables were constructed in 2007. Approval from the Walden University Institutional Review Board was obtained before commencement of data collection for the study. The approval number for the study is 08-09-07-0314115. Once approval was received, the described interview questionnaire was administered in a structured interview format. The researcher obtained a signature on the consent form before each interview. Next, the researcher distributed a copy of the interview questionnaire and the definition of terms. Appendixes A, B, and C contain a copy of the consent form that was signed by all

participants in this final study. Appendix D contains a list of the 10 most populated U.S. cities. Appendix E contains a map of Philadelphia County.

The interviewer then asked each question to the participant and wrote their answers on a separate copy of the interview questionnaire. These questions pertained to the participants' perception of the redevelopment, value, and the expected rate of return for the residential real estate market in Philadelphia County, PA. The researcher recorded the responses instead of the participants in order to ensure that all answers were complete during the interview and then asked the same questions to every participant in the same format. Following the Likert scale questions, the researcher recorded the answers to the open-ended questions on an audio recorder. This allowed the researcher to ensure accurate collection of data. The researcher could have reviewed the participants' answers if they were unclear.

The study used an interview questionnaire that was originally created in a pilot study. The instrument was revised by incorporating the feedback from participants in the pilot study. In addition, the researcher collected data from a focus group of 5 participants. This part of the study was conducted with 5 participants together simultaneously discussing the research questions. All of the discussion was audio-recorded.

<div align="center">Data Analysis</div>

The data analysis phase for a case study is defined by Creswell as "making a detailed description of the case and its setting" (1998, p. 153). In addition, Stake advocates four forms of data analysis and interpretation in case study research. First,

categorical aggregation requires a researcher to seek a collection of instances from the data, hoping that issue relevant meanings will emerge. Second, direct interpretation requires that a researcher looks at a single instance and draws meaning from it without looking for multiple instances. Third, patterns are formed by the researcher while establishing correspondence by two or more categories. Finally, naturalistic generalizations require a researcher to make generalizations that people can learn from the case either for themselves or for applying it to a population of cases (as cited in Creswell, 1998, p. 154).

There were two major segments of the data analysis process of the study. The initial segment of the data analysis process involved organizing and checking collected data for accuracy and completeness. This included a visual comparison of input data and the solutions in the interview. Any corrections to the data were performed at this time.

The second segment of the data analysis process of the study utilized Stake's third form of data analysis. That is, the researcher searched for patterns in the 2 investor groups and the focus group of the final study. These patterns focused on the perceptions of selected aspects of the Philadelphia residential real estate market. Furthermore, these patterns were reflected on various tables and were further analyzed using qualitative analysis.

Table 1 aligns each research question with the interview questions from the interview of the samples. An "X" in the box indicates what research question each interview question tests and targets. Open-ended question 4 indirectly applies to each of the research questions because it lists additional thoughts of the participants on the

residential real estate market in Philadelphia County, PA. This table was a significant

resource for the completion of chapters 4 and 5.

Table 1.

Alignment of Questions

	Research questions				
Interview questions	1. What are the perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?	2. What are the perceptions of the values of the residential real estate market in Philadelphia County, PA?	3. What are the perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?	4. What are the perceptions of the residential real estate market in Philadelphia County, PA?	N/A
Redevelopment					
1. Philadelphia is a more beautiful city than it was 10 years ago.	X			X	
2. Philadelphia residential real estate has experienced a significant redevelopment of many of its neighborhoods over the past 10 years.	X			X	
3. The problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.	X			X	
Value					
1. The value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation.		X		X	
2. The current value of residential real estate in Philadelphia is at the appropriate levels compared to the other four major cities in the United States.		X		X	
3. The value of residential real estate in Philadelphia will increase over the next year.		X		X	
4. The value of residential real estate in Philadelphia will increase over the next 5 years.		X		X	
5. The value of residential real estate in Philadelphia will increase over the next 10 years.		X		X	
Expected rate of return					
1. As an investment, Philadelphia residential real estate will produce a higher rate of return than the stock market in the next year.			X	X	
2. As an investment, Philadelphia residential real estate will produce a higher rate of return than the other four major cities of the United States in the next year.			X	X	

Demographics					
1. Gender					X
2. Marital status					X
3. Highest degree earned					X
4. What type of real estate license do you have?					X
5. Age					X
6. Occupation					X
7. Total number of residential properties currently owned in Philadelphia for at least 1 year				X	
8. Total number of years since you purchased your first residential property in Philadelphia				X	
Open-ended questions					
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: What existing strengths, if any, should Philadelphia continue to improve on? Why?		X		X	
1b. In order for the Philadelphia residential real estate market to continue in value: What major obstacles, if any, will Philadelphia have to overcome? Why?		X		X	
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?			X	X	
3a. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).		X		X	
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next 5 years? Why?		X		X	
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next 10 years? Why?		X		X	
4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	X	X	X	X	

Pilot Study

A pilot study of the final study is sometimes prepared to develop the project or to

assess the feasibility of the project. This is indicated particularly when the researcher

generates a new instrument (Babbie, 1982). Similarly, a pilot study was conducted in this

study to generate a new interview questionnaire and was for testing purposes only. The interview questionnaire consisted of 10 Likert scale questions, eight demographic questions, and four open-ended questions. The instrument was conducted in a structured interview format by the researcher.

Approval from the Walden University Institutional Review Board was obtained before beginning data collection for the pilot study. The approval number is 02-22-07-0314115. The pilot study included individuals who were affiliated with the real estate brokerage company, A. Criniti Realty, in South Philadelphia, PA, and other real estate brokerage companies in the same area, between the dates of February 22, 2007 and February 27, 2007. A sample was taken from the population for this pilot study. The sample consisted of 5 individuals with the following inclusion criteria: anyone who was (a) more than 18 years old; (b) a U.S. citizen; (c) currently owned at least one residential property in Philadelphia for at least 1 year; (d) had lived in Philadelphia for at least 10 years; and (e) had an active Pennsylvania real estate license. The participants in the pilot study were not used again in any of the samples of the final study.

<div align="center">Sensitivity</div>

Any study that involves humans must be sensitive to the consequences the study may impose on them. This researcher adhered to the guiding principles and ethical considerations of the Walden University Institutional Review Board addressing human research subjects. According to Stone, when conducting research, steps must be implemented to respect human subjects, not to purposely harm these subjects, and to completely disclose to the subjects of the benefits and risks (Stone, 2003).

Reliability

The case study was high in reliability through the use of its survey instrument as one of its sources of information. In general, survey research is high in reliability. That is, it offers the same questions to all its respondents. This allows consistency in the measurement of the data in the data analysis process. In addition, a survey's reliability increases as the interviewer is more consistent in presenting the questionnaire (Babbie, 2001, pp. 268-269). This is especially important in interview surveys because an interviewer may ask participants the same questions on a survey in a different manner. This can skew the results of the survey. In this study, the researcher tried to maintain a high level of reliability by asking the questions to each participant in a consistent manner.

Validity

The validity of the study was based on two factors, the validity of the survey component and the validity of the case study in its entirety. First, according to Babbie, "Surveys cannot measure social action; they can only collect self-reports of recalled past action or of prospective or hypothetical action" (Babbie, 2001, p. 268). For example, a respondent's prejudice answer on a questionnaire may not mean that they are prejudice. The respondent may have answered with a prejudice response for an infinite amount of reasons, including that he or she didn't understand the question. The possibility of being subject to artificiality usually classifies the survey method as low in validity (Babbie, 2001, pp. 268-269). Consequently, the study was low in validity when interpreting it only from the survey component.

Nevertheless, the validity of the case study, in its entirety, was relatively high. The verification process for a case study, as viewed by Stake, requires extensive verification. Stake suggests verification through two procedural concepts: triangulation, searching for the convergence of information, and member checking. Stake suggests that for "uncontestable description," the researcher should expend little effort towards triangulation, whereas "dubious and contested description" requires confirmation through triangulation. This study conducted triangulation through the use of its open-ended questions in the interview. These questions elaborated on the closed-ended questions by requesting more information on the participants' perception of residential real estate in Philadelphia. This study also conducted triangulation through the use of the focus group. The focus group added more validity to the overall study by providing more quality information for the data analysis process. Stake also recommends that researchers perform member checks. That is, the researcher ask actors or participants to examine rough drafts or writing in which the actions or words of the actor are featured (as cited in Creswell, 1998, p. 213). This member check was performed in the pilot study by asking the participants if there were any questions in the questionnaire that they didn't like or understand. Consequently, this provided more verification.

The validity of this study was also enhanced by the expertise of the researcher. The researcher has been indirectly involved with real estate for over 15 years. Furthermore, the researcher has owned residential real estate in Philadelphia County, PA for over five years and currently owns approximately ten residential properties there. The

experience of the researcher with this real estate market has helped produce a higher validity both in the survey instrument and in the case study as a whole.

Finally, the validity of the study was also enhanced by the expertise of a panel of three experts who reviewed the survey instrument after the pilot study. These panel of experts consisted of three licensed Pennsylvania realtors who have been working in the Philadelphia residential real estate market for a combined total of 80 years. These realtors have reviewed the survey instrument and have helped strengthen the quality of the results that it produced.

In summary, although the validity of the survey instrument was relatively low, the use of triangulation and member checks in the case study itself and the pilot study provided an extensive verification process. The survey acted as a supporting source of validity. However, the collaboration of all the sources of information in the case study, in addition to the researcher's expertise in this market, resulted in a relatively high validity.

<div align="center">Perceptions</div>

The researcher conducted an analysis of the perceptions of individuals of the residential real estate market in Philadelphia. The methods of analyzing perceptions in science vary in cost, accuracy, and the degree to which they inconvenience participants. Nevertheless, in order to ensure that the perceptions analyzed were derived from credible sources, certain precautions were taken.

First, the sample included only individuals that the researcher decided are relevant to this study. This was done using a nonprobability purposive/judgmental sampling procedure. For example, the criterion that individuals currently must have

owned at least one residential property in Philadelphia for at least 1 year allowed the study to have more qualified participants. That is, the perceptions of these participants had credibility for this topic because they had experienced ownership of Philadelphia residential real estate in the current real estate market conditions. Second, a pilot study was created that reflected the perceptions of active licensed Pennslyvania realtors. Incorporating the perceptions of individuals that are legally qualified on this topic added more value to the overall study. Third, the 2 groups in the final study were separated into two categories to reflect diversity of opinions on the topic of the study. A category of large-scale investors was created to portray the perceptions of more experienced investors in this market. Fourth, although the investors in the final group were affiliated with A. Criniti Realty, they also may have been affiliated with other real estate companies in Philadelphia. This helped provide more valuable insight to the study by reducing the possibility of participant bias. In summary, due to time, financial constraints, and the difficulties of finding participants that would provide quality data for this study, 20 participants were selected. The precautions that were taken in this study assured that the purposive sample of 20 participants allowed diversity of perceptions of the residential real estate market in Philadelphia County, PA and may have produced valuable insight to the problem of the study.

Summary

A qualitative case study design was implemented in this study. However, this design was blended with selected aspects of the structured interview research design as described by Babbie (2001). Due to the nature of the study, the use of a nonprobability

purposive/ judgmental sample was necessary because random sampling was not possible. Twenty participants were selected from a target population of all individuals that currently owned at least one property in Philadelphia for at least 1 year and were affiliated with A.Criniti Realty in South Philadelphia, PA, and possibly other real estate brokerage companies in the same area, between the dates of August 13, 2007 and September 10, 2007.

Two samples were taken from the population for this study, the small-scale investor group and the large-scale investor group. The small-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least one (but less than five) residential property in Philadelphia for at least 1 year. The large-scale investor group consisted of 10 individuals with the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least five residential properties in Philadelphia for at least 1 year.

The researcher also used a focus group to gather more information about the research questions. This focus group consisted of a sample of 5 participants that were selected by the researcher from the existing 20 participants of the study. The focus group had the following inclusion criteria: (a) anyone who was over 18 years old, (b) a U.S. citizen, (c) had lived in Philadelphia for 10 years during their lifetime, and (d) currently owned at least one residential property in Philadelphia for at least 1 year. This flexible inclusion criteria allowed anyone from either the small-scale investor or large-scale

investor group to participate. The researcher selected participants using a purposive/ judgemental sampling technique. Utilizing a judgmental sample allowed the researcher maximum flexibility to select participants that were diverse enough to facilitate a well-rounded analysis.

The instrument used was an interview questionnaire that consisted of 10 Likert scale questions, eight demographic questions, and four open-ended questions. The instrument was conducted in a structured interview format by the researcher. In the data analysis phase of the study, the researcher searched for patterns in the 2 investor groups and the focus group of the final study. These patterns focused on the perceptions of selected aspects of the residential real estate market in Philadelphia County, PA. Furthermore, these patterns were reflected on various tables and were further analyzed using qualitative analysis. Chapter 4 will present the data analysis and findings of this study.

CHAPTER 4:

RESULTS

Introduction

The purpose of this study was to develop a better understanding of the various perceptions of investors in the residential real estate market of Philadelphia County, PA in order to enhance its economic condition. Furthermore, the study was explored through the use of three concepts that play a major role in the activity of the real estate market. Chapter 1 provided an explanation of the problem that was addressed and an overview of the real estate survey instrument that was used in this study. Chapter 2 provided a literature review of research of selected aspects of residential real estate in Philadelphia and the related theories that were built on in this study. Chapter 3 covered an explanation of how the study was performed. Aspects of the study such as the research design, the target population, the sampling procedure, the sample, the instrumentation that was used, the data collection procedures, and the data analysis were also addressed in chapter 3. Chapter 4 begins with a review of the research questions and its relationship to the results, continues with an analysis of the data from the small and large-scale investor groups and the focus group, and will end with a summary. It is worth mentioning that if the results of the study contribute to an increase in the value of the real estate investments of the researcher or anyone involved in the study, it would be entirely coincidental and certainly not the purpose or the intentions of the study.

This chapter includes an analysis of the responses from the structured interviews and the focus group's open-ended discussion. Furthermore, an analysis of the demographic data from each of the three samples will be explored in Appendix I. The demographic data analysis is necessary because it will demonstrate the characteristics of the source of the results, which can be very useful information when analyzing people's perceptions. Some of the data may be more significant in demonstrating credibility to the residential real estate market in Philadelphia County, PA, for example, type of real estate license acquired. However, other demographic data may be more helpful only for illustration and comparison purposes, for example, gender.

Research Questions

This research study set out to answer the following research questions:

1. What are the perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?

2. What are the perceptions of the values of the residential real estate market in Philadelphia County, PA?

3. What are the perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?

4. What are the perceptions of the residential real estate market in Philadelphia County, PA?

The relationship of each research question with the results of this study will now be explored.

1. What are the perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?

This research question was addressed in various forms through Redevelopment Questions 1, 2, and 3 on the survey and also on Survey Question 1 in the focus group as noted in the alignment of questions table in chapter 3. The samples responses to each of these questions will now be explored. First, the majority of all three samples shared some form of agreement that Philadelphia was a more beautiful city than it was 10 years ago. Second, the majority of all three samples shared some form of agreement that Philadelphia residential real estate had experienced a significant redevelopment of many of its neighborhoods over the past 10 years. Third, the majority of all three samples shared some form of agreement that the problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.

In summary, the responses to the redevelopment questions on the survey indicated that these investors had a positive perception of the redevelopment activities in Philadelphia County and the beauty that it has added to this city in the past 10 years. Furthermore, although the majority of the samples had agreed that the problems of blight have diminished over the past 10 years, the samples had provided several clues that they perceived that improvement is still necessary. First, although the majority of all three samples shared some form of agreement to this question, the majority of the small-scale investor group had some form of disagreement with this statement. Also, the responses in the open-ended question section of the survey and in the focus group have indicated that crime and drugs is still a major obstacle for this area. These obstacles are often

interrelated with the concept of blight. It is difficult for most investors to perceive a major city as fully redeveloped when there is a high crime and drug problem. That is, even if a city is physically fully redeveloped, a high crime and drug problem will weaken the perception of its redevelopment, mentally.

2. What are the perceptions of the values of the residential real estate market in Philadelphia County, PA?

This research question was addressed in various forms through Value Questions 1, 2, 3, 4, and 5 on the survey, Open-Ended Questions 1a, 1b, 3a, 3b, and 3c, and also on Survey Question 2 in the focus group. The samples' responses to each of these questions will now be explored. First, the majority of all three samples shared some form of agreement that the value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation. Second, the majority of all three samples shared some form of agreement that the current value of residential real estate in Philadelphia was at the appropriate levels compared to the other four major cities in the United States. Third, the majority of all three samples shared some form of agreement that the value of residential real estate in Philadelphia will increase over the next year. Fourth, the majority of all three samples shared some form of agreement that the value of residential real estate in Philadelphia will increase over the next five years. Fifth, the majority of all three samples shared some form of agreement that the value of residential real estate in Philadelphia will increase over the next 10 years. Sixth, in response to Open-Ended Question 1a, many of the investors have indicated that Philadelphia has many strengths that they should continue to improve on in order for its value to continue

to appreciate. Seventh, in response to Open-Ended Question 1b, many of the investors have indicated that Philadelphia has several obstacles that it still needs to overcome in order for its value to continue to appreciate. A crime and drug problem was a major obstacle that was shared by each of the samples. Finally, the responses for Questions 3a to 3c supported the responses to the similar questions asked in Value Questions 3, 4, and 5. That is, more investors had a more positive perception of the value of the Philadelphia residential real estate market progressively over the next 10 years. The averages for the percentage increases of the value in Philadelphia are higher in the long term than in the next year.

In summary, the majority of investors perceived Philadelphia to have been a good investment in the past and in the present. Furthermore, despite its several major obstacles, the majority of investors perceived Philadelphia to have a stronger value in the future.

3. What are the perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?

This research question was addressed in various forms through Expected Rate of Return Questions 1 and 2 on the survey; Question 2 on the Open-Ended Questions; and also on Survey Question 3 in the focus group. The samples responses to each of these questions will now be explored. First, the majority of all three samples shared some form of agreement that the Philadelphia residential real estate market will produce a higher expected rate of return than the stock market over the next year. Second, the majority of all three samples shared some form of disagreement that the Philadelphia residential real

estate market will produce a higher expected rate of return than the other four major cities in the United States over the next year. Third, the majority of investors have indicated that Philadelphia is a better investment than the other four major cities in the United States. The results of this question are in direct contradiction to the results of Expected Rate of Return Question 2. Nevertheless, the open-ended question is more valid than the survey question because it allowed the participants to discuss their opinion. The survey question may have been misinterpreted by the participants because of its few choices of solutions.

In summary, although there were a variety of different responses, overall, Philadelphia was perceived as a good investment when compared to the stock market and the other four major U.S. cities. Thus, the majority of investors in the samples have a positive perception of the expected rated of return for the Philadelphia residential real estate market.

4. What are the perceptions of the residential real estate market in Philadelphia County, PA?

This research question was addressed indirectly throughout all of the questions on the survey and directly on Survey Question 4 in the focus group. These questions will be reviewed and discussed in a later section. However, a summary of the perceptions of each of the first three research questions will be explored because they focus on the major three concepts that are addressed in this dissertation. Furthermore, they are the foundation to understanding the overall perceptions of the residential real estate market in Philadelphia. First, the responses to the redevelopment questions on the survey indicated

that these investors had a positive perception of the redevelopment activities in Philadelphia County and the beauty that it has added to this city in the past 10 years.

Second, the majority of investors perceived Philadelphia to have been a good investment in the past and in the present. Furthermore, despite its several major obstacles, the majority of investors perceived Philadelphia to have a stronger value in the future. Third, although there were a variety of different responses, overall, Philadelphia was perceived as a good investment when compared to the stock market and the other four major U.S. cities. Thus, the majority of investors in the samples have a positive perception of the expected rated of return for the Philadelphia residential real estate market.

Small Scale Investors Data Analysis: Description of Data on Perception

As shown in Table 2, the majority (6 out of 10 participants) agreed with Redevelopment Question 1, 2 participants disagreed, and 2 participants were neutral. Six participants agreed with Redevelopment Question 2 and 1 participant strongly agreed. However, 1 participant was neutral and 2 participants disagreed. The majority of participants disagreed in various degrees with Redevelopment Question 3 (2 participants disagreed and 4 participants strongly disagreed). Nevertheless, 2 participants remained neutral and 2 participants agreed. The responses to these questions may indicate that overall the sample perceived that Philadelphia is physically a more maturely developed city than it was 10 years ago. In other words, the infrastructure throughout Philadelphia is perceived to be in a better condition than it was 10 years ago. However, there still is

more redevelopment necessary. This may be a true reflection of how bad the problem of

blight had gotten in Philadelphia over the past 30 years.

Table 2.

Responses to Redevelopment Questions

Redevelopment questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Number of participants from a sample of 10					
1. Philadelphia is a more beautiful city than it was 10 years ago.	0	6	2	2	0
2. Philadelphia residential real estate has experienced a significant redevelopment of many of its neighborhoods over the past 10 years.	1	6	1	2	0
3. The problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.	0	2	2	2	4

As shown in Table 3, all of the participants agreed in various degrees with Value

Question 1 (5 participants agreed and 5 participants strongly agreed). On the contrary,

Value Question 2 had a wide range of responses (3 participants agreed, 3 participants

were neutral, 2 participants disagreed, and 2 participants strongly disagreed).

The next three Value questions attempted to identify the sample's perceptions of

the future of the Philadelphia residential real estate market. Value Question 3 produced a

mixed response from the participants. That is, 3 participants disagreed that this market

will increase in the next year and 1 participant was neutral. However, 6 participants

agreed in different degrees that it will increase in the next year. Value Question 4 also

had a mixed response. Seven participants agreed in different degrees and 2 participants

disagreed. Furthermore, 1 participant remained neutral in answering. The majority of

participants agreed in different degrees with Value Question 5 (8 out of 10 participants). However, 1 participant remained neutral and 1 participant disagreed with this question.

Overall, the sample had a positive outlook on the value of the residential real estate market in Philadelphia County, PA. However, the high amount of disagreement with Value Question 2 can be interpreted from two different ways. That is, Philadelphia may be either undervalued or overvalued compared to the other four major U.S. cities, which include New York, Los Angeles, Chicago, and Houston. This ambiguity requires more information that the open-ended questions may help clarify.

Table 3.

Responses to Value Questions

Value questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	Number of participants from a sample of 10				
1. The value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation.	5	5	0	0	0
2. The current value of residential real estate in Philadelphia is at the appropriate levels compared to the other four major cities in the United States.	0	3	3	2	2
3. The value of residential real estate in Philadelphia will increase over the next year.	4	2	1	3	0
4. The value of residential real estate in Philadelphia will increase over the next 5 years.	5	2	1	2	0
5. The value of residential real estate in Philadelphia will increase over the next 10 years.	5	3	1	1	0

As shown in Table 4, the majority (7 out of 10 participants) agreed in various degrees with Expected Rate of Return Question 1. However, 1 participant was neutral and 2 participants disagreed. This might indicate that the sample has a weak perception of the stock market in the next year. Expected Rate of Return Question 2 had a very mixed response. Four participants agreed in various degrees and 1 participant was neutral. Nevertheless, half of the participants disagreed in various degrees. Expected Rate of Return Question 2 helped clarify Value Question 2 by indicating that the participants may have perceived Philadelphia to be overvalued. This will result in a lower expected rate of return.

Table 4.

Responses to Expected Rate of Return Questions

Expected rate of return questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	Number of participants from a sample of 10				
1. As an investment, Philadelphia residential real estate will produce a higher rate of return than the stock market in the next year.	3	4	1	2	0
2. As an investment, Philadelphia residential real estate will produce a higher rate of return than the other four major cities of the United States in the next year.	2	2	1	3	2

Small Scale Investors Data Analysis: Description of Data on Open-Ended Questions

As shown in Table J1 in Appendix J, the participants in the small-scale investors group had various perceptions of the Philadelphia residential real estate market. The

participants had many different answers for each of the open-ended questions asked. Question 1a states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what existing strengths, if any, should Philadelphia continue to improve on and why? A summary of the answers given for Question 1a include: Continue to increase the beautification and redevelopment of many of Philadelphia neighborhoods; streamline the business code process; add more businesses, jobs and entertainment; keep real estate taxes low; bring back suburbanites; improve the school system; promote tourism, attract big companies to invest here; and continue to support small-scale investors and builders. This large list of strengths may signify that the investors had a positive perception of the residential real estate market in Philadelphia.

Question 1b states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what major obstacles, if any, will Philadelphia have to overcome and why? A summary of the obstacles listed for Question 1b include: a need for an increase in police force, a crime and drug problem; a failing public school system; lack of parking; corrupt politicians; a lack of uniform building codes; dirty streets; a need for more entertainment facilities; homelessness; unemployment; and still too many blighted areas remaining. This large list of obstacles may signify that the investors had a negative perception of the residential real estate market in Philadelphia. Thus, more information is needed to gather an overall perception of the sample.

Question 2 states: Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U. S. cities and why? There were 8 participants that said yes to Question 2. The most common reasons were that

Philadelphia is affordable and it is undervalued. Two participants said no for reasons that include: the belief that these cities were more profitable as an investment; and Philadelphia does not help out the core of the city, which includes the blue-collar workers. Although there were a variety of different responses on the Likert scale questions, overall, the results on the open-ended section indicate that Philadelphia was perceived as a good investment when compared to the other four major U.S. cities.

Question 3 illustrates the various perceptions of the participants on the expected rates of return of the residential real estate market in Philadelphia County, PA in the next 1, 5, and 10 years. For Question 3a, the expected rates of return over the next year ranged from a low of −10% to a high of 10%. The average expected rate of return was 3.88%. One participant was undecided and was not factored into the average. For Question 3b, expected rates of return over the next 5 years ranged from a low of −1% to a high of 20%. The average expected rate of return was 7.8%. For Question 3c, expected rates of return over the next 10 years ranged from a low of −1% to a high of 20%. The average expected rate of return was 7.8%. The responses for Questions 3a to 3c supported the responses to the similar questions asked in Value Questions 3, 4, and 5. That is, more investors had a more positive perception of the value of the Philadelphia residential real estate market progressively over the next 10 years. Specifically, the averages for the percentage increases of the value in Philadelphia are progressively higher in the long term than in the next year.

Question 4 lists additional thoughts of the participants on the residential real estate market in Philadelphia County, PA. Many of these comments were already

incorporated into the previous answers. However, all of these additional comments were considered during the completion of chapter 5.

Large Scale Investors Data Analysis: Description of Data on Perception

As shown in Table 5, the majority (9 out of 10 participants) agreed in various degrees with Redevelopment Question 1. However, 1 participant remained neutral. Seven participants agreed and 3 participants strongly agreed with Redevelopment Question 2. The majority of participants (9 out of 10 participants) agreed in various degrees with Redevelopment Question 3 and 1 participant disagreed. The responses to these questions may indicate that overall, the sample perceived that Philadelphia is physically a more maturely developed city than it was 10 years ago. However, the results of Redevelopment Question 3 are the opposite of the responses from the small-scale investor group.

Table 5.

Responses to Redevelopment Questions

Redevelopment questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	Number of participants from a sample of 10				
1. Philadelphia is a more beautiful city than it was 10 years ago.	5	4	1	0	0
2. Philadelphia residential real estate has experienced a significant redevelopment of many of its neighborhoods over the past 10 years.	7	3	0	0	0
3. The problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.	2	7	0	1	0

As shown in Table 6, all of the participants agreed in various degrees that Philadelphia residential real estate 10 years ago was a good investment opportunity (3 participants agreed and 7 participants strongly agreed). On the contrary, Value Question 2 had a wide range of responses (1 participant strongly agreed, 3 participants agreed, 2 participants were neutral, and 4 participants disagreed).

Value Questions 3 to 5 attempted to identify the sample's perceptions of the future of the Philadelphia residential real estate market. Value Question 3 produced a mixed response from the participants. That is, 4 participants disagreed in various degrees that this market will increase in the next year and 2 participants remained neutral. However, 4 participants agreed in different degrees. For Value Question 4, 9 participants agreed and 1 participant strongly agreed. The majority of participants agreed in different degrees with Value Question 5 (9 out of 10 participants). However, 1 participant remained neutral.

Overall, the sample had a positive outlook on the value of the residential real estate in Philadelphia County, PA. However, the high amount of neutrality and disagreement with Value Question 2 can be interpreted from two different ways. That is, Philadelphia may be either undervalued or overvalued compared to the other four major U.S. cities. This ambiguity requires more information that the open-ended questions may help clarify.

Table 6.

Responses to Value Questions

Value questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	Number of participants from a sample of 10				
1. The value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation.	7	3	0	0	0
2. The current value of residential real estate in Philadelphia is at the appropriate levels compared to the other four major cities in the United States.	1	3	2	4	0
3. The value of residential real estate in Philadelphia will increase over the next year.	1	3	2	2	2
4. The value of residential real estate in Philadelphia will increase over the next 5 years.	1	9	0	0	0
5. The value of residential real estate in Philadelphia will increase over the next 10 years.	4	5	1	0	0

As shown in Table 7, the majority (6 out of 10 participants) agreed in various degrees with Expected Rate of Return Question 1. However, 3 participants were neutral and 1 participant disagreed. This might indicate that the sample has a weak perception of the stock market in the next year. Expected Rate of Return Question 2 had a very mixed response. Although the majority (6 out of 10 participants) agreed in various degrees, 2 participants were neutral and 2 participants disagreed in various degrees. Expected Rate of Return Question 2 helped clarify Value Question 2 by indicating that the participants may have perceived Philadelphia to be undervalued. This will result in a higher expected

rate of return. This is in direct contrast to the responses from the small-scale investor

group.

Table 7.

Responses to Expected Rate of Return Questions

Expected rate of return questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Number of participants from a sample of 10					
1. As an investment, Philadelphia residential real estate will produce a higher rate of return than the stock market in the next year.	1	5	3	1	0
2. As an investment, Philadelphia residential real estate will produce a higher rate of return than the other four major cities of the United States in the next year.	3	3	2	1	1

Large Scale Investors Data Analysis: Description of Data on Open-Ended Questions

As shown in Table J2 in Appendix J, the participants in the large-scale investors

group had various perceptions of the Philadelphia residential real estate market. The

participants had many different answers for each of the open-ended questions asked.

Question 1a states: In order for the Philadelphia residential real estate market to continue

to appreciate in value, what existing strengths, if any, should Philadelphia continue to

improve on and why? A summary of the strengths that need to be continued and are

listed in Question 1a include: Continue to increase restaurants, nightlife, and other forms

of entertainment; continue with community groups; cooperation with politicians;

continue to improve the education system and public transportation; continue to adjust

city wage tax; keep real estate taxes low; continue the 10-year tax abatement; continue to

increase the beautification and redevelopment of many of Philadelphia neighborhoods, particularly the distressed ones; continue to ease the zoning and building permit process; add more businesses and jobs; removal of old cars; and continue affordable housing programs. This large list of strengths may signify that the investors had a positive perception of the residential real estate market in Philadelphia.

Question 1b states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what major obstacles, if any, will Philadelphia have to overcome and why? A summary of the obstacles listed for Question 1b include: high city wage taxes; a need for an increase in police force, a crime and drug problem; a failing public school system; poor political leadership; casinos; dirty streets; a poorly managed approval process; and a need to attract more businesses. This large list of obstacles may signify that the investors had a negative perception of the residential real estate market in Philadelphia. Thus, more information is needed to gather an overall perception of the sample.

Question 2 states: Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U. S. cities and why? There were 8 participants that said yes to Question 2. The most common reasons were that Philadelphia is affordable and it is undervalued. Two participants said no for reasons that include: the belief that these cities were more profitable as an investment; and the other cities are better run politically and strategically. Although there were a variety of different responses on the Likert scale questions, overall, the results on the open-ended

section indicate that Philadelphia was perceived as a good investment when compared to the other four major U.S. cities.

Question 3 illustrates the various perceptions of the participants on the expected rates of return of the residential real estate market in Philadelphia County, PA in the next 1, 5, and 10 years. For Question 3a, expected rates of return over the next year ranged from a low of −10% to a high of 8%. The average expected rate of return was 2.8%. For Question 3b, expected rates of return over the next 5 years ranged from a low of 3% to a high of 20%. The average expected rate of return was 8%. One participant was undecided and was not factored into the average. For Question 3c, expected rates of return over the next 10 years ranged from a low of 1% to a high of 40%. The average expected rate of return was 10.2%. The responses for Questions 3a to 3c supported the responses to the similar questions asked in Value Questions 3, 4, and 5. That is, more investors had a more positive perception of the value of the Philadelphia residential real estate market progressively over the next 10 years. Specifically, the averages for the percentage increases of the value in Philadelphia are progressively higher in the long term than in the next year.

Question 4 lists additional thoughts of the participants on the residential real estate market in Philadelphia County, PA. Many of these comments were already incorporated in the previous answers. However, all of these additional comments were considered during the completion of chapter 5.

Focus Group Data Analysis: Description of Data on Open-Ended Questions

As shown in Table J3 in Appendix J, the participants in the focus group had various perceptions of the Philadelphia residential real estate market. The participants had many different answers for each of the open-ended questions asked. Question 1a states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what existing strengths, if any, should Philadelphia continue to improve on and why? A summary of the strengths that need to be continued and are listed in Question 1a include: Continue to increase restaurants, nightlife, and other forms of entertainment; continue with community groups; cooperation with politicians; continue to improve the education system and public transportation; keep real estate taxes low; continue to increase the beautification and redevelopment of many of Philadelphia neighborhoods, particularly the distressed ones; and continue affordable housing programs. This large list of strengths may signify that the investors had a positive perception of the residential real estate market in Philadelphia.

Question 1b states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what major obstacles, if any, will Philadelphia have to overcome and why? A summary of the obstacles listed for Question 1b include: high city wage taxes; a need for an increase in police force, a crime problem; a failing public school system; dirty streets; and a need to attract more businesses. This large list of obstacles may signify that the investors had a negative perception of the residential real estate market in Philadelphia. Thus, more information is needed to gather an overall perception of the sample.

Question 2 states: Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U. S. cities and why? There were 4 participants that said yes to Question 2. The most common reasons were that Philadelphia is affordable and it is undervalued. One participant remained neutral due to lack of information on Houston and Chicago. Overall, the results gathered from this question indicate that Philadelphia was perceived as a good investment when compared to the other four major U.S. cities.

Question 3 illustrates the various perceptions of the participants on the expected rates of return of the residential real estate market in Philadelphia County, PA in the next 1, 5, and 10 years. For Question 3a, expected rates of return over the next 1 year ranged from a low of 2% to a high of 3%. The average expected rate of return was 2.2%. For Question 3b, expected rates of return over the next 5 years ranged from a low of 3% to a high of 5.5%. The average expected rate of return was 4.7%. For Question 3c, expected rates of return over the next 10 years ranged from a low of 5% to a high of 10%. The average expected rate of return was 7.5%. The responses for Questions 3a to 3c indicate that more investors had a more positive perception of the value of the Philadelphia residential real estate market progressively over the next 10 years. Specifically, the averages for the percentage increases of the value in Philadelphia are progressively higher in the long term than in the next year.

Question 4 lists additional thoughts of the participants on the residential real estate market in Philadelphia County, PA. Many of these comments were already

incorporated in the previous answers. However, all of these additional comments were considered during the completion of chapter 5.

The focus group had reiterated many of the major points already given by these participants in their regular structured interview. However, one noticeable observation was that many of these participants gave specific responses that may have conflicted with their responses given only a few weeks prior, for example, the percentages in Open-Ended Question 3. Nevertheless, the general opinions of these investors were consistent. This fact may be a reflection of the psychology associated with group settings. Some of the answers may have been given to appease the group but may not have been a true reflection of that investor's perception.

Sample Comparison Data Analysis: Description of Data on Perception

The following is a data comparison of the survey questions between the small and large-scale investor samples. In order to simplify this section, only three categories were discussed: agreed (any form of agreement), disagreed (any form of disagreement), and neutral.

The majority of both samples shared some form of agreement (15 out of 20 participants) that Philadelphia was a more beautiful city than it was 10 years ago. The number of participants that have agreed for the small-scale investor group and large-scale investor group were 6 and 9, respectively. This may indicate that there may have been much redevelopment progress in the more unattractive parts of the city.

The majority of both samples shared some form of agreement (17 out of 20 participants) that Philadelphia residential real estate had experienced a significant

redevelopment of many of its neighborhoods over the past 10 years. The number of participants that have agreed for the small-scale investor group and large-scale investor group were 7 and 10 participants, respectively. This may indicate that the sample perceived Philadelphia to be a more maturely developed city than it was 10 years ago. This can be a reflection of the amount of construction that has taken place over the past 10 years. The many construction sites that are continuously in operation are spread everywhere throughout the city.

The majority of both samples shared some form of agreement (11 out of 20 participants) that the problem of blight in Philadelphia neighborhoods has diminished over the past 10 years. The majority of the large-scale investor group sample shared some form of agreement to this statement (9 out of 10 participants). However, the majority of the small-scale investor group had some form of disagreement with this statement (6 out of 10 participants). This may indicate that much more improvement in the city may still be necessary.

Twenty out of 20 participants perceived the value of Philadelphia residential real estate 10 years ago to have provided a good investment opportunity for speculation. This suggests that all of the participants are aware of the current appreciation that has taken place over the past 10 years. This point helped add to the credibility of the participants because it confirmed that the participants had some understanding of the current real estate market, regardless of how many properties they owned.

A high amount of both samples shared some form of disagreement (8 participants) that the current value of residential real estate in Philadelphia was at the appropriate

levels compared to the other four major cities in the United States. Nevertheless, the responses from both samples were relatively mixed. The small-scale investor group sample had almost an equal amount of the three types of responses (4 participants disagreed, 3 participants agreed, and 3 participants were neutral). The large-scale investor group sample had an equal amount of participants that shared some form of agreement and disagreement (4 participants for each). The high amount of neutrality and disagreement with Value Question 2 can be interpreted from two different ways. That is, Philadelphia may be either undervalued or overvalued compared to the other four major U.S. cities. This ambiguity requires more information that the open-ended questions may help clarify.

Half of both samples shared some form of agreement (10 out of 20 participants) that the value of residential real estate in Philadelphia will increase over the next year. The majority of the small-scale investor group sample shared some form of agreement (6 out of 10 participants). The large-scale investor group sample had an equal amount of participants that shared some form of agreement and disagreement (4 participants for each). The results have indicated that the samples had a positive outlook on the value of the residential real estate in Philadelphia County, PA.

The majority of both samples shared some form of agreement (17 out of 20 participants) that the value of residential real estate in Philadelphia will increase over the next 5 years. The majority of the small and large-scale investor group samples shared some form of agreement to this statement (7 out of 10 and 10 out of 10 participants,

respectively). The results have indicated that the samples had a positive outlook on the value of the residential real estate in Philadelphia County, PA.

The majority of both samples shared some form of agreement (17 out of 20 participants) that the value of residential real estate in Philadelphia will increase over the next 10 years. The number of participants that have agreed for the small-scale investor group and large-scale investor group were 8 and 9, respectively. The results have indicated that the samples had a positive outlook on the value of the residential real estate in Philadelphia County, PA.

The majority of both samples shared some form of agreement (13 out of 20 participants) that the Philadelphia residential real estate market will produce a higher expected rate of return than the stock market over the next year. The majority of the small and large-scale investor group samples shared some form of agreement (7 out of 10 and 6 out of 10 participants, respectively). This might indicate that the sample has a weak perception of the stock market in the next year.

Half of both samples shared some form of agreement (10 out of 20 participants) that the Philadelphia residential real estate market will produce a higher expected rate of return than the other four major cities in the United States over the next year. The majority of the large-scale investor group sample shared some form of agreement (6 out of 10 participants). However, half of the small-scale investor group sample shared some form of disagreement (5 participants). Expected Rate of Return Question 2 helped clarify Value Question 2 by indicating that the participants in the large-scale investor group may

have perceived Philadelphia to be undervalued. This will result in a higher expected rate of return. This is in direct contrast to the responses from the small-scale investor group.

Sample Comparison Data Analysis: Description of Data on Open-Ended Questions

The participants in the small and large-scale investor group and the focus group had various perceptions of the Philadelphia residential real estate market. The participants had many different answers for each of the open-ended questions asked. Question 1a states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what existing strengths, if any, should Philadelphia continue to improve on and why? The following is a summary of the major strengths in Question 1a that were shared by each of the samples: Continue to keep real estate taxes low; continue to improve the education system; continue to add more businesses, jobs, and entertainment; and continue to increase the beautification and redevelopment of many of Philadelphia neighborhoods, particularly the distressed ones. This large list of strengths may signify that the investors had a positive perception of the residential real estate market in Philadelphia.

Question 1b states: In order for the Philadelphia residential real estate market to continue to appreciate in value, what major obstacles, if any, will Philadelphia have to overcome and why? A crime and drug problem was a major obstacle in Question 1b that was shared by each of the samples. However, several other major obstacles were also frequently listed, which include: A need to increase the police force; poor political leadership; a need to attract more businesses; a failing public school system; and high city wage taxes. This large list of obstacles may signify that the investors had a negative

perception of the residential real estate market in Philadelphia. Thus, more information is needed to gather an overall perception of the samples.

Question 2 states: Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U. S. cities and why? The majority (20 out of 25 participants) of all three samples answered yes to this question. The most common reasons that the participants had answered yes include: Philadelphia is affordable and undervalued. The most common reasons that the participants had answered no includes: the belief that these cities were more profitable as an investment; Philadelphia does not help out the core of the city, which includes the blue-collar workers; and the other cities are better run politically and strategically. One participant in the focus group remained neutral due to lack of information on Houston and Chicago. Although there were a variety of different responses on the Likert scale questions, overall, the results on the open-ended section indicate that Philadelphia was perceived as a good investment when compared to the other four major U.S. cities.

Question 3a states: By what percentage do you think the value of residential real estate in Philadelphia will increase over the next year and why? The highest percentages for the small-scale investor group, large-scale investor group, and focus group were 10%, 8%, and 3%, respectively. The lowest percentages for the small-scale investor group, large-scale investor group, and focus group were –10%, -10%, and 2%, respectively. The average percentages for the small-scale investor group, large-scale investor group, and focus group were 3.88%, 2.8%, and 2.2%, respectively. The percentages of all the samples ranged from a low of –10% to a high of 10%. The average percentage of all the

samples was 2.96%. The responses for Questions 3a supported the responses to the similar question asked in Value Question 3. This may indicate that more investors had a positive perception of the value of the Philadelphia residential real estate market progressively over the next year.

Question 3b states: By what percentage do you think the value of residential real estate in Philadelphia will increase over the next 5 years and why? The highest percentages for the small-scale investor group, large-scale investor group, and focus group were 20%, 20%, and 5.5%, respectively. The lowest percentages for the small-scale investor group, large-scale investor group, and focus group were −1%, 3%, and 3%, respectively. The average percentages for the small-scale investor group, large-scale investor group, and focus group were 7.8%, 8%, and 4.7%, respectively. The percentages of all the samples ranged from a low of −1% to a high of 20%. The average percentage of all the samples was 6.83%. The responses for Questions 3b supported the responses to the similar question asked in Value Question 4. This may indicate that more investors had a positive perception of the value of the Philadelphia residential real estate market progressively over the next 5 years.

Question 3c states: By what percentage do you think the value of residential real estate in Philadelphia will increase over the next 10 years and why? The highest percentages for the small-scale investor group, large-scale investor group, and focus group were 20%, 40%, and 10%, respectively. The lowest percentages for the small-scale investor group, large-scale investor group, and focus group were −1%, 1%, and 5%, respectively. The average percentages for the small-scale investor group, large-scale

investor group, and focus group were 7.8%, 10.2%, and 7.5%, respectively. The percentages of all the samples ranged from a low of –1% to a high of 40%. The average percentage of all the samples was 8.5%. The responses for Questions 3c supported the responses to the similar question asked in Value Question 5. This may indicate that more investors had a positive perception of the value of the Philadelphia residential real estate market progressively over the next 10 years.

Question 4 lists additional thoughts of the participants on the residential real estate market in Philadelphia County, PA. Many of these comments were already incorporated in the previous answers. However, all of these additional comments were considered during the completion of chapter 5.

In conclusion, the difference in the perceptions of both the small-scale investor group and the large-scale investor group may be attributed to several reasons. First, the small-scale investors may have been a better representation of the majority of investors in the residential real estate market in Philadelphia County, PA, that is, homeowners. For the purposes of this study, a homeowner may also be considered an investor. Generally, this group may be lacking sophisticated real estate knowledge because their reason for investing in this market may solely be attributed to having a home to dwell in.

Second, the large-scale investor group may be a better representation of a very small but vitally important part of the investors in the residential real estate market in Philadelphia County, PA. The information gathered about their experience level may be a good indication that they may possess more sophisticated real estate knowledge about their investment market. This can add a substantial amount of credibility to their

responses. The researcher has selected these participants from his experience with these participants and his knowledge of their characters and their reputation for being real estate savvy.

Third, the demographics of the large-scale investor group may not describe an accurate picture of how much real estate knowledge the large-scale investor group really has. For example, although the demographics may state that that a participant in the large-scale investor group may have 25 properties currently in Philadelphia County, PA for at least 1 year, these participants may have dozens more properties that they have owned for less than 1 year. Specifically, many of these participants are real estate developers. They buy houses, redevelop them, and sell them a few months later. These participants may own up to a 100 properties total in any given year. In addition, this discussion has been limited to residential real estate properties confined to Philadelphia County, PA. These investors may own many more properties from other property classes and possibly more from other areas outside of Philadelphia County, PA. Thus, the major point being illustrated is that the large-scale investors may have a considerable amount more experience in the real estate market in Philadelphia County, PA than the small-scale investors, which may have been easily understated from face value interpretation of their demographics. This extreme difference in real estate knowledge has been the reason for the creation of these 2 separate groups.

Summary

In this chapter, a data analysis was presented of the results of the research for this study. First, the results of the research completed on both the small-scale and large-scale

investor samples were analyzed. This analysis consisted of a description of data on perception and on the open-ended questions. Also, the results of the research completed on the focus group sample were analyzed. This analysis consisted of a description of data on the open-ended questions. Lastly, a comparison was made of the research completed on all of the appropriate samples. In addition, this comparison contained an analysis of the description of data on perception for the small and large-scale investor samples. Chapter 5 presents a summary, conclusion, and recommendations based on the findings of this study.

CHAPTER 5:

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

Introduction

The purpose of this study was to develop a better understanding of the various

perceptions of investors in the residential real estate market of Philadelphia County, PA

in order to enhance its economic condition. Furthermore, the study was explored through

the use of three concepts that play a major role in the activity of the real estate market.

Chapter 1 provided an explanation of the problem that was addressed and an overview of

the real estate survey instrument that was conducted in this study. Chapter 2 provided a

literature review of research of selected aspects of residential real estate in Philadelphia

and the related theories that were built on in this study. Chapter 3 covered an explanation

of how the study was performed. Aspects of the study such as the research design, the

target population, the sampling procedure, the sample, the instrumentation that was used,

the data collection procedures, and the data analysis were addressed. Chapter 4 provided

an analysis of the data for the small and large-scale investor groups, and the focus group.

Chapter 5 will begin with a summary of the study, provide an interpretation of the

findings, discuss the implications for social change, provide recommendations, and then

conclude with closing statements.

Summary of the Study

The problem this research addressed was determining if an understanding of

current perceptions of three specific concepts of the residential real estate market, the

development efforts, value, and investment potential, can assist in enhancing the economic conditions of major cities in the United States. The purpose of this study was to develop a better understanding of the various perceptions of investors in the residential real estate market of Philadelphia County, PA in order to enhance its economic condition. A qualitative case study design was used to evaluate this study, which was blended with selected aspects of the interview survey research design as described by Babbie (2001). The interview questionnaire originated in a pilot study survey of 5 investors. The research questions also focused on understanding the current perceptions of this market through the use of three concepts. The target population was all individuals that currently owned at least one property in Philadelphia for at least 1 year and was affiliated with A.Criniti Realty in South Philadelphia, PA, between the dates of August 13, 2007 and September 10, 2007. There was a sample taken of 20 participants for the structured interviews and 5 participants for the focus group.

Interpretation of Findings

The majority of the participants in this study appear to have a positive perception of the residential real estate market in Philadelphia County, PA. This was also supported through the optimistic answers in the focus group to Survey Question 4. However, the majority of the samples investigated have reported that this city still has several major obstacles that need to be overcome, like crime and drugs. These obstacles are a detriment to the perceived progress as a major, ideally developed, U.S. city. Philadelphia may never be able to reach its fullest potential until it deals with these obstacles.

The findings of this study are consistent with the literature that was reviewed in Chapter 2. That is, the perceptions of the majority of investors are supporting evidence to the literature on the redevelopment of Philadelphia. As a review, since the inception of HOPE VI in 1993, Philadelphia has seized an opportunity to improve the aesthetics of its infrastructure and the quality of life for its residents. Redevelopment efforts, fueled by federal funding, have had a positive affect on large sections of Philadelphia. Several major examples of this can be found within its many public housing projects that have redeveloped over the past 10 years. The majority of investors in this study have perceived Philadelphia to have redeveloped and improved the aesthetics of its infrastructures, which is consistent with the literature.

The findings of the study have a relationship with the economic theories of real estate cycles presented in chapter 2. That is, the perceptions of the investors in the study may have been influenced by the U.S. economic cycle at the time of this paper. Investors may have known that the U.S. real estate market had cyclical behavior throughout time. This may have led them to speculate on a positive outlook for the Philadelphia real estate market based on the historical performance of the U.S. real estate market.

The findings also demonstrated that certain demographics may have no bearing on the perceptions of a major residential real estate market. Most of the investors in these samples had a significant amount of value to add to the study from their own personal experience. Their information was valuable to the overall study, regardless of their gender, marital status, highest degree earned, age or occupation. However, it appears that certain demographics did provide an edge for the investor in providing a more thorough

answer to the questions in the interview. These include: type of real estate license obtained; total number of residential properties currently owned in Philadelphia for at least 1 year; and total number of years since they purchased their first residential property in Philadelphia. This may be because these demographics are a reflection of the experience level of these investors on the subject of Philadelphia residential real estate.

The findings also provide valuable support for the four research questions. These questions were already reviewed and will not be discussed again. However, a summary of the perceptions of each of the first three research questions will be explored because they focus on the major three concepts that are addressed in this dissertation: redevelopment, expected rate of return, and valuation. Furthermore, they are the foundation to understanding the overall perceptions of the residential real estate market in Philadelphia. First, the responses to the redevelopment questions on the interview questionnaire indicated that these investors had a positive perception of the redevelopment activities in Philadelphia County and the beauty that it has added to this city in the past 10 years. Second, the majority of investors perceived Philadelphia to have been a good investment in the past and in the present. Furthermore, despite its several major obstacles, the majority of investors perceived Philadelphia to have a stronger value in the future. Third, although there were a variety of different responses, overall, Philadelphia was perceived as a good investment when compared to the stock market and the other four major U.S. cities. Thus, the majority of investors in the samples have a positive perception of the expected rated of return for the Philadelphia residential real estate market.

Implications for Social Change

As previously stated in Chapter 1, for various reasons, this study was significant for various researchers and investors of the residential real estate market in Philadelphia County, PA. However, there are several major reasons why this study was socially significant. First, the results of this study enhanced the economic condition of the real estate market in Philadelphia County, PA by providing information to investors about the perceptions of other types of investors in this market. This provided positive reasons for investing additional capital into this market. The overall perceptions of the investors investigated in this study were positive and this information is very useful for existing and potential investors of this area.

Second, this study may be used as a model for researchers who may be interested in conducting a similar study of other major cities in the United States. Thus, this study provided a foundation for the body of future literature on this important topic. Researchers who conduct similar studies in other cities may be able to enhance the economic condition of their respective cities. Positive results from these studies may provide reasons for increased investment into their real estate market from various investors. Negative results may provide a reason for the government officials of those cities to focus more on its redevelopment efforts, which may have a longer term positive effect on its economic condition.

Finally, this study helped to determine that research on perceptions of the U.S. residential real estate market can provide some very insightful information for a qualitative analysis. For example, the results of this study have indicated that the

perception of the majority of the investors interviewed in the structured interviews and the focus group are consistent with the literature on the concepts analyzed in this dissertation. There are many potential reasons for this occurrence, which, at minimum, may provide a good discussion. In addition to the major reasons for social significance as stated above, it is worth noting a potential social implication of this study. That is, indirectly it is likely that this study may contribute to improving the quality of low income housing in Philadelphia County, PA.

<div align="center">Recommendations</div>

The general problem this research addressed was determining if an understanding of current perceptions of three specific concepts of the residential real estate market can assist in enhancing the economic conditions of major cities in the United States. Specifically, this study focused on determining if an understanding of current perceptions of three specific concepts (this includes: redevelopment, expected rate of return, and valuation) of the residential real estate market can assist in enhancing the economic conditions of Philadelphia County, PA. This study may be used as a model for researchers who may be interested in conducting a similar study of other major cities in the United States.

The findings of this study may contribute to enhancing the economic conditions of Philadelphia County, PA by inciting investors to invest additional capital into Philadelphia's residential real estate market. This may create a domino effect of positive economic activity. For example, with additional real estate being bought and developed, there may be more jobs created because of the need for more builders. This may also

create a need for more supplies, thus, more jobs may be needed at places that sell and make these supplies. With more jobs being created in this city, there may also be more spending because people may have more cash inflow. Consequently, a circle of positive economic activity may be stimulated from the results of this study.

There are several recommendations for further study. First, there could be a further evaluation of the content of each question in the survey and the significance assigned to it. This may help strengthen the quality of the results. Another recommendation may be to incorporate other concepts to be analyzed into the interview questionnaire on the residential real estate market, for example, ethics or real estate cycles. Finally, another recommendation would be to incorporate another sample into the case study, which will include a requirement that they do not live in the city being evaluated. This will help foster a more diverse group of perceptions that may increase the value of its results.

Closing Statement

Literature on three specific concepts were analyzed in this study: expected rate of return, valuation, and redevelopment. An understanding of the theories of these three concepts are a crucial component to understanding any particular real estate market in the United States. Nevertheless, an understanding of perceptions of these three concepts are also a necessary component because it incorporates the significant value of human opinion. This case study was created because of the awareness that the combination of these two effective components, theoretical and perceptional understanding of the three

concepts mentioned, may be the appropriate ingredients to analyzing a particular real estate market.

The specific problem this research addressed was to determine if an understanding of current perceptions of three specific concepts of the residential real estate market can assist in enhancing the economic conditions of Philadelphia County, PA. The results of the study have helped to provide a foundation for the solution to this problem. That is, the perceptions analyzed in this study have produced a positive conclusion for the economic situation in Philadelphia County, PA. Overall, the majority of the investors chosen for this study have indicated directly and indirectly that the residential real estate market in Philadelphia will be a very good investment progressively over the next 10 years. This information is consistent with the final conclusion of the literature review of the Philadelphia real estate market. These two conclusions suggest that the results of this study have provided a solution to its problem. That is, an understanding of the current perceptions of the concepts of expected rate of return, valuation, and redevelopment, as it applies to the residential real estate market in Philadelphia County, PA, have provided a positive economic outlook for its future. Consequently, this understanding has also provided positive reasons for future investment and enhancement of its economic condition.

The results of this study helped to address the purpose of the study for the same reasons that they addressed the problem of the study. Also, the conclusions of the Philadelphia residential real estate market that this study provided is a major factor that may affect the valuation of this market. This theory is the connecting link to the

theoretical conceptual support for this study of past research that this study was built on. Specifically, it links with theories on factors affecting valuation as described in chapter 1.

Although this information is derived from opinions, this information is very valuable because of the credibility and diversity of the participants that were chosen. For example, the total number of residential properties currently owned in Philadelphia for at least 1 year for all three samples ranged from a low of 1 to a high of 25 with an average of 9.4. The participants' purchasing experience of residential real estate properties in Philadelphia is high. That is, the total number of years of all three samples since the investors purchased their first residential property in Philadelphia ranged from a low of 3 to a high of 55 and an average of 24.63. These factors combined with very stringent eligibility requirements have produced meaningful perceptions to combat the research problem and accomplish the purpose of the study.

In summary, Philadelphia is one of the oldest and most historically significant cities in the United States (Wikipedia, *Philadelphia,* 2007). Philadelphia has had some major urban problems since the early part of the 1970s, which include crime and blight. However, as indicated by the literature review and the perceptions of the participants in this study, Philadelphia may be set for a comeback. If the conclusions of the study are correct, the world may witness the rebirth of the greatest city in America!

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APPENDIX A: CONSENT FORM FOR SMALL-SCALE INVESTORS

An Analysis of Selected Aspects of the Residential Real Estate Market in Philadelphia County, PA

You are invited to participate in a research study of the residential real estate market in Philadelphia. You were selected as a possible participant because of the following: you are over 18 years old, a U.S. citizen, have lived in Philadelphia for at least 10 years, and currently own at least one residential property (but less than five) in Philadelphia for at least 1 year. Please read this form and ask any questions you may have before acting on this invitation to be in the study.

This study is being conducted by Anthony Michael Criniti IV, a doctoral candidate at Walden University and an employee of A. Criniti Realty.

Background Information:
The purpose of this study will be to develop a better understanding of the various perceptions of the residential real estate market in Philadelphia County, PA in order to enhance its economic condition.

Procedures:
If you agree to be in this study, you will be asked to complete a questionnaire and a short interview that may take approximately 15 minutes. A portion of the interview will be audio taped.

Voluntary Nature of the Study:
Your participation in this study is strictly voluntary. Your decision whether or not to participate will not affect your current or future relations with A. Criniti Realty. If you initially decide to participate, you are still free to withdraw at any time later without affecting those relationships.

Risks and Benefits of Being in the Study:
There are minimal risks associated with participating in this study, which include: unintended disclosure of confidential information; psychological stress greater than one would experience in daily life; attention to personal information that is relevant to the study; unwanted solicitation, intrusion, or observation in public places; unwanted intrusion of privacy of others not involved in the study; social or economic loss; perceived coercion to participate due to any existed or expected relationship between the participant and the researcher; major or minor negative effects on participants' or stakeholders' health.

There are no short or long-term benefits to participating in this study.

The anticipated benefits of this research for society include the added value of additional research on this topic. This may be particularly interesting for investors and other researchers in the Philadelphia residential real estate market. For example, the results may be used to support other research by investors about the Philadelphia residential real estate market. They may then integrate this information to make future investment decisions regarding the Philadelphia residential real estate market.

In the event you experience stress or anxiety during your participation in the study you may terminate your participation at any time. You may refuse to answer any questions you consider invasive or stressful.

Compensation:
There will be no compensation provided for your participation in this study.

Confidentiality:

The records of this study will be kept private. In any report of this study that might be published, the researcher will not include any information that will make it possible to identify you. Research records will be kept in a locked file, and only the researcher will have access to the records.

Contacts and Questions:

The researcher conducting this study is Anthony Michael Criniti IV. The researcher's committee chair is Vicky Black. She can be contacted by email at vickyblack@earthlink.net. You may ask any questions you have now. If you have questions later, you may contact the researcher via telephone at (267)259-3357. The Research Participant Advocate at Walden University is Leilani Endicott, you may contact her at 1-800-925-3368, extension 1210, if you have questions about your participation in this study.

You will receive a copy of this form from the researcher.

Statement of Consent:

☐   I have read the above information. I have asked questions and received answers. I consent to participate in the study.

Printed Name of Participant

Participant Signature
_____

Signature of Investigator
_____

APPENDIX B: CONSENT FORM FOR LARGE-SCALE INVESTORS

An Analysis of Selected Aspects of the Residential Real Estate Market in Philadelphia County, PA

You are invited to participate in a research study of the residential real estate market in Philadelphia. You were selected as a possible participant because of the following: you are over 18 years old, a U.S. citizen, have lived in Philadelphia for at least 10 years, and currently own at least five residential properties in Philadelphia for at least 1 year. Please read this form and ask any questions you may have before acting on this invitation to be in the study.

This study is being conducted by Anthony Michael Criniti IV, a doctoral candidate at Walden University and an employee of A. Criniti Realty.

Background Information:
The purpose of this study will be to develop a better understanding of the various perceptions of the residential real estate market in Philadelphia County, PA in order to enhance its economic condition.

Procedures:
If you agree to be in this study, you will be asked to complete a questionnaire and a short interview that may take approximately 15 minutes. A portion of the interview will be audio taped.

Voluntary Nature of the Study:
Your participation in this study is strictly voluntary. Your decision whether or not to participate will not affect your current or future relations with A. Criniti Realty. If you initially decide to participate, you are still free to withdraw at any time later without affecting those relationships.

Risks and Benefits of Being in the Study:
There are minimal risks associated with participating in this study, which include: unintended disclosure of confidential information; psychological stress greater than one would experience in daily life; attention to personal information that is relevant to the study; unwanted solicitation, intrusion, or observation in public places; unwanted intrusion of privacy of others not involved in the study; social or economic loss; perceived coercion to participate due to any existed or expected relationship between the participant and the researcher; major or minor negative effects on participants' or stakeholders' health.

There are no short or long-term benefits to participating in this study.

The anticipated benefits of this research for society include the added value of additional research on this topic. This may be particularly interesting for investors and other researchers in the Philadelphia residential real estate market. For example, the results may be used to support other research by investors about the Philadelphia residential real estate market. They may then integrate this information to make future investment decisions regarding the Philadelphia residential real estate market.

In the event you experience stress or anxiety during your participation in the study you may terminate your participation at any time. You may refuse to answer any questions you consider invasive or stressful.

Compensation:
There will be no compensation provided for your participation in this study.

Confidentiality:

The records of this study will be kept private. In any report of this study that might be published, the researcher will not include any information that will make it possible to identify you. Research records will be kept in a locked file, and only the researcher will have access to the records.

Contacts and Questions:
The researcher conducting this study is Anthony Michael Criniti IV. The researcher's committee chair is Vicky Black. She can be contacted by email at vickyblack@earthlink.net. You may ask any questions you have now. If you have questions later, you may contact the researcher via telephone at (267)259-3357. The Research Participant Advocate at Walden University is Leilani Endicott, you may contact her at 1-800-925-3368, extension 1210, if you have questions about your participation in this study.

You will receive a copy of this form from the researcher.

Statement of Consent:

☐ I have read the above information. I have asked questions and received answers. I consent to participate in the study.

Printed Name of Participant

Participant Signature

Signature of Investigator

APPENDIX C: CONSENT FORM FOR FOCUS GROUP INVESTORS

An Analysis of Selected Aspects of the Residential Real Estate Market in Philadelphia County, PA

You are invited to participate in a research study of the residential real estate market in Philadelphia County, PA. You were selected as a possible participant because of the following: you are over 18 years old, a U.S. citizen, have lived in Philadelphia for at least 10 years, and currently own at least one residential property in Philadelphia for at least 1 year. Please read this form and ask any questions you may have before acting on this invitation to be in the study.

This study is being conducted by Anthony Michael Criniti IV, a doctoral candidate at Walden University and an employee of A. Criniti Realty.

Background Information:
The purpose of this study will be to develop a better understanding of the various perceptions of the residential real estate market in Philadelphia County, PA in order to enhance its economic condition.

Procedures:
If you agree to be in this study, you will be asked to participate in a discussion with several other focus group members about the residential real estate market in Philadelphia County, PA, which may take approximately 60 minutes. A portion of the interview will be audio taped.

Voluntary Nature of the Study:
Your participation in this study is strictly voluntary. Your decision whether or not to participate will not affect your current or future relations with A. Criniti Realty. If you initially decide to participate, you are still free to withdraw at any time later without affecting those relationships.

Risks and Benefits of Being in the Study:
There are minimal risks associated with participating in this study, which include: unintended disclosure of confidential information; psychological stress greater than one would experience in daily life; attention to personal information that is relevant to the study; unwanted solicitation, intrusion, or observation in public places; unwanted intrusion of privacy of others not involved in the study; social or economic loss; perceived coercion to participate due to any existed or expected relationship between the participant and the researcher; major or minor negative effects on participants' or stakeholders' health.

There are no short or long-term benefits to participating in this study.

The anticipated benefits of this research for society include the added value of additional research on this topic. This may be particularly interesting for investors and other researchers in the Philadelphia residential real estate market. For example, the results may be used to support other research by investors about the Philadelphia residential real estate market. They may then integrate this information to make future investment decisions regarding the Philadelphia residential real estate market.

In the event you experience stress or anxiety during your participation in the study you may terminate your participation at any time. You may refuse to answer any questions you consider invasive or stressful.

Compensation:
There will be no compensation provided for your participation in this study.

Confidentiality:
The records of this study will be kept private. In any report of this study that might be published, the researcher will not include any information that will make it possible to identify you. Research records will be kept in a locked file, and only the researcher will have access to the records.

Contacts and Questions:
The researcher conducting this study is Anthony Michael Criniti IV. The researcher's committee chair is Vicky Black. She can be contacted by email at vickyblack@earthlink.net. You may ask any questions you have now. If you have questions later, you may contact the researcher via telephone at (267)259-3357. The Research Participant Advocate at Walden University is Leilani Endicott, you may contact her at 1-800-925-3368, extension 1210, if you have questions about your participation in this study.

You will receive a copy of this form from the researcher.

Statement of Consent:

☐   I have read the above information. I have asked questions and received answers. I consent to participate in the study.

Printed Name of Participant

Participant Signature

Signature of Investigator

APPENDIX D: THE 10 MOST POPULATED U.S. CITIES

Rank	City	Population within city limits	Population Density per sq mi	Metropolitan Area		Region
				millions	rank	
1	New York City, New York	**8,143,197**	26,402.9	18.7	1	Northeast
2	Los Angeles, California	**3,844,829**	7,876.8	12.9	2	West
3	Chicago, Illinois	**2,842,518**	12,750.3	9.4	3	Midwest
4	Houston, Texas	**2,016,582**	3,371.7	5.2	7	South
5	Philadelphia, Pennsylvania	**1,463,281**	11,233.6	5.8	4	Northeast
6	Phoenix, Arizona	**1,461,575**	2,782.0	3.7	14	West
7	San Antonio, Texas	**1,256,509**	2,808.5	1.8	29	South
8	San Diego, California	**1,255,540**	3,771.9	2.9	17	West
9	Dallas, Texas	**1,213,825**	3,469.9	5.7	5	South
10	San Jose, California	**912,332**	5,117.9	1.7	30	West

Source: http://en.wikipedia.org/wiki/List_of_United_States_cities_by_population#_note-census

APPENDIX E: MAP OF PHILADELPHIA COUNTY

Source:

http://upload.wikimedia.org/wikipedia/commons/a/af/Map_of_Philadelphia_County_Pennsylvan

ia_With_Municipal_and_Township_Labels.png

APPENDIX F: INTERVIEW QUESTIONNAIRE FOR SMALL-SCALE INVESTORS

AN ANALYSIS OF SELECTED ASPECTS OF THE RESIDENTIAL REAL ESTATE
MARKET IN PHILADELPHIA COUNTY, PA

Please circle the number corresponding to the rating number that best describes your
opinion of the following statements. Please answer each question with a single
response.

I certify that I (a) am more than 18 years old, (b) am a U.S. citizen, (c) have lived in
Philadelphia for at least 10 years, and (d) currently own at least one residential property
(but less than five) in Philadelphia for at least 1 year.

	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
Redevelopment					
1. Philadelphia is a more beautiful city than it was 10 years ago.	5	4	3	2	1
2. Philadelphia residential real estate has experienced a significant redevelopment of many of its neighborhoods over the past 10 years.	5	4	3	2	1
3. The problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.	5	4	3	2	1
Value					
1. The value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation.	5	4	3	2	1
2. The current value of residential real estate in Philadelphia is at the appropriate levels compared to the other four major cities in the United States.	5	4	3	2	1

3. The value of residential real estate in
Philadelphia will increase over the next year.   5   4   3   2   1

4. The value of residential real estate in
Philadelphia will increase over the next 5
years.   5   4   3   2   1

5. The value of residential real estate in
Philadelphia will increase over the next 10
years.   5   4   3   2   1

Expected Rate of Return

1. As an investment, Philadelphia residential
real estate will produce a higher rate of
return than the stock market in the next
year.   5   4   3   2   1

2. As an investment, Philadelphia residential
real estate will produce a higher rate of return
than the other four major cities of the United
States in the next year.   5   4   3   2   1

Demographic Information (Please circle the correct response)

1. Gender: Male   Female

2. Marital status: Single   Married   Divorced
                               Other

3. Highest degree earned: High School Associate   Bachelor   Master
                           Doctorate   None

4. What type of real estate license do you have?   Agent   Broker   Other

(Please fill in the blank)

5. Age: _____

6. Occupation: _____

7. Total number of residential properties currently owned in Philadelphia for at least 1 year: _____

8. Total number of years since you purchased your first residential property in Philadelphia: _____

Open-Ended Questions

1. In order for the Philadelphia residential real estate market to continue to appreciate in value:

     a. What existing strengths, if any, should Philadelphia continue to improve on? Why?

     b. What major obstacles, if any, will Philadelphia have to overcome? Why?

2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?

3. By what percentage do you think the value of residential real estate in Philadelphia will increase:

     a. Over the next year? Why?

     b. Over the next 5 years? Why?

     c. Over the next 10 years? Why?

4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.

APPENDIX G: INTERVIEW QUESTIONNAIRE FOR LARGE-SCALE INVESTORS

AN ANALYSIS OF SELECTED ASPECTS OF THE RESIDENTIAL REAL ESTATE
MARKET IN PHILADELPHIA COUNTY, PA

Please circle the number corresponding to the rating number that best describes your opinion of the following statements. Please answer each question with a single response.

I certify that I (a) am more than 18 years old, (b) am a U.S. citizen, (c) have lived in Philadelphia for at least 10 years, and (d) currently own at least five residential properties in Philadelphia for at least 1 year.

	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
Redevelopment					
1. Philadelphia is a more beautiful city than it was 10 years ago.	5	4	3	2	1
2. Philadelphia residential real estate has experienced a significant redevelopment of many of its neighborhoods over the past 10 years.	5	4	3	2	1
3. The problem of blight in Philadelphia neighborhoods has diminished over the past 10 years.	5	4	3	2	1
Value					
1. The value of Philadelphia residential real estate 10 years ago provided a good investment opportunity for speculation.	5	4	3	2	1
2. The current value of residential real estate in Philadelphia is at the appropriate levels compared to the other four major cities in the United States.	5	4	3	2	1

3. The value of residential real estate in

Philadelphia will increase over the next year.	5	4	3	2	1

4. The value of residential real estate in Philadelphia will increase over the next 5 years.

	5	4	3	2	1

5. The value of residential real estate in Philadelphia will increase over the next 10 years.

	5	4	3	2	1

Expected Rate of Return

1. As an investment, Philadelphia residential real estate will produce a higher rate of return than the stock market in the next year.

	5	4	3	2	1

2. As an investment, Philadelphia residential real estate will produce a higher rate of return than the other four major cities of the United States in the next year.

	5	4	3	2	1

Demographic Information (Please circle the correct response)

1. Gender: Male   Female

2. Marital status: Single   Married   Divorced
                            Other

3. Highest degree earned: High School   Associate   Bachelor   Master
                            Doctorate   None

4. What type of real estate license do you have?   Agent   Broker   Other

(Please fill in the blank)

5. Age: _____

6. Occupation: _____

7. Total number of residential properties currently owned in Philadelphia for at least 1 year: _____

8. Total number of years since you purchased your first residential property in Philadelphia: _____

Open-Ended Questions

1. In order for the Philadelphia residential real estate market to continue to appreciate in value:

     a. What existing strengths, if any, should Philadelphia continue to improve on? Why?

     b. What major obstacles, if any, will Philadelphia have to overcome? Why?

2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?

3. By what percentage do you think the value of residential real estate in Philadelphia will increase:

     a. Over the next year? Why?

     b. Over the next 5 years? Why?

     c. Over the next 10 years? Why?

4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.

APPENDIX H: OPEN DISCUSSION GUIDE FOR FOCUS GROUP INVESTORS

AN ANALYSIS OF SELECTED ASPECTS OF THE RESIDENTIAL REAL ESTATE
MARKET IN PHILADELPHIA COUNTY, PA

Survey Questions

1. What are your perceptions of the redevelopment activity of the residential real estate
market in Philadelphia County, PA?

2. What are your perceptions of the values of the residential real estate market in
Philadelphia County, PA?

3. What are your perceptions of the expected rate of return generated from the
residential real estate market in Philadelphia County, PA?

4. What are your perceptions of the residential real estate market in Philadelphia
County, PA?

Open-Ended Questions

1. In order for the Philadelphia residential real estate market to continue to appreciate in
value:

    a. What existing strengths, if any, should Philadelphia continue to improve on?
Why?

    b. What major obstacles, if any, will Philadelphia have to overcome? Why?

2. Do you perceive the Philadelphia residential real estate market to be a better
investment currently than the other four major U.S. cities? Why?

3. By what percentage do you think the value of residential real estate in Philadelphia
will increase:

    a. Over the next year? Why?

    b. Over the next 5 years? Why?

c. Over the next 10 years? Why?

4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.

APPENDIX I: DESCRIPTION OF DATA ON INTERVIEW PARTICIPANTS

Small Scale Investors Data Analysis: Description of Data on Interview Participants

The gender composition of the sample, as shown in Table I1, reflected an equal composition of male and female participants. One observation that was made by the researcher was that it was easier to find females to participate in the small-scale investor group than in the large-scale investor group.

Table I1.

Composition of Participants by Gender

Gender	Participants
Female	5
Male	5
Total sample	10

The marital status composition of the sample, as shown in Table I2, reflected a majority of married participants (6 out of 10 participants). There were 3 single participants and 1 widowed participant. One observation that was made by the researcher was that it was easier to find females to participate in the small-scale investor group than in the large-scale investor group. In addition, the majority of males that were interviewed in the large-scale investor group were married. This may indicate that married men who own more than five properties tend to be more representative of the financial affairs in their relationship.

Table I2.

Composition of Participants by Marital Status

Marital status	Participants
Single	3
Married	6
Divorced	0
Widowed	1
Total sample	10

The educational composition of the sample, as shown in Table I3, showed a majority of high school level education (7 out of 10 participants). There was 1 participant with a bachelor's degree and 2 participants with no degree. The lack of college graduates in this sample may be a reflection of Philadelphia's middle class, blue-collar workers, which represents a large proportion of Philadelphia County.

Table I3.

Composition of Participants by Highest Degree Earned

Degree earned	Participants
High School	7
Associate	0
Bachelor	1
Master	0
Doctorate	0
No degree	2
Total sample	10

Table I4 reflects the type of real estate license acquired by the sample. No participants in the small-scale investors sample had any type of active Pennsylvania real estate licenses. This may suggest that these participants have occupations that are not real estate related, but met the participant criterion of real estate ownership.

Table I4.

Composition of Participants by Type of Real Estate License

Type of real estate license	Participants
Agent	0
Broker	0
No licenses	10
Total sample	10

Table I5 illustrates the diverse range of ages for the participants. The ages ranged

from a low of 30 to a high of 88. The average age was 50.2 years. This wide range of ages is a

good indication that the participants selected for this study were diverse enough for a well-

rounded analysis.

Table I5.

Composition of Participants by Age

Participant	Age
Participant 1	40
Participant 2	79
Participant 3	88
Participant 4	37
Participant 5	30
Participant 6	30
Participant 7	54
Participant 8	47
Participant 9	50
Participant 10	47
Average	50.2

Table I6 illustrates the various occupations held by the sample. The occupations of this

sample provided a good example of a very diverse group, which included: home insurance sales

agent, unemployed individuals, beautician, secretary, contractors, manager, facilities manager,

and a mechanic. This may also be a good indication that the participants selected for this study

were diverse enough for a well-rounded analysis.

Table I6.

Composition of Participants by Occupation

Participant	Occupation
Participant 1	Home insurance sales agent
Participant 2	Unemployed
Participant 3	Unemployed
Participant 4	Beautician
Participant 5	Secretary
Participant 6	Contractor
Participant 7	Manager
Participant 8	Facilities manager
Participant 9	Mechanic
Participant 10	Contractor

The number of properties currently owned in Philadelphia by the participants for at least

1 year was a consistent response of one from every participant. This suggests that the

participants in the sample do not own property for investment purposes. That is, they own only

one residential real estate property that may be considered their primary residence.

Table I7 represents the participants' purchasing experience of residential properties in

Philadelphia. This is reflected by the total number of years since they have purchased their first

residential property in Philadelphia. The number of years ranged from a low of 3 to a high of 55.

The average number of years was 20.7. This is a good indication that the participants selected

for this study were diverse enough for a well-rounded analysis. Also, it may suggest that these

participants had enough experience to add true value to this study.

Table I7.

Composition of Participants by Total Number of Years Since They Purchased Their First Residential Property in Philadelphia

Participant	Number of years
Participant 1	9
Participant 2	55
Participant 3	55
Participant 4	3
Participant 5	5
Participant 6	5
Participant 7	32
Participant 8	28
Participant 9	7
Participant 10	8
Average	20.7

Large Scale Investors Data Analysis: Description of Data on Interview Participants

The gender composition of the sample, as shown in Table I8, was all male. There were no female participants in the large-scale investor sample.

Table I8.

Composition of Participants by Gender

Gender	Participants
Female	0
Male	10
Total sample	10

The marital status composition of the sample, as shown in Table I9, reflected a majority of married participants (9 out of 10 participants). One participant was single. One observation that was made by the researcher was that it was easier to find females to participate in the small-scale investor group than in the large-scale investor group. This may indicate that married men

who own more than five properties tend to be more representative of the financial affairs in their relationship.

Table I9.

Composition of Participants by Marital Status

Marital status	Participants
Single	1
Married	9
Divorced	0
Widowed	0
Total sample	10

The educational composition of the sample, as shown in Table I10, demonstrated a very diverse group. That is, 5 participants had a high school degree, 3 participants had an associate's degree, 1 participant had a master's degree, and 1 participant had a doctorate's degree. This group had a more diverse educational composition than the small-scale investors. This may indicate that the level of education may have a high correlation to wealth, or number of investment properties.

Table I10.

Composition of Participants by Highest Degree Earned

Degree earned	Participants
High school	5
Associate	3
Bachelor	0
Master	1
Doctorate	1
No degree	0
Total sample	10

Table I11 reflects the type of real estate license acquired by the sample. The majority (7 out of 10 participants) did not have any real estate licenses. However, 3 participants did have a

broker's license in the state of Pennsylvania. This group had more real estate licenses than the small-scale investors. This may indicate that the level of real estate education may have a high correlation to wealth, or number of investment properties.

Table I11.

Composition of Participants by Type of Real Estate License

Type of real estate license	Participants
Agent	0
Broker	3
No licenses	7
Total sample	10

Table I12 illustrates the diverse composition of ages for the participants. The ages ranged from a low of 43 to a high of 64. The average age was 52.11. One participant did not disclose his age and was not factored into the average. This wide range of ages is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis.

Table I12.

Composition of Participants by Age

Participant	Age
Participant 1	57
Participant 2	51
Participant 3	Undisclosed
Participant 4	53
Participant 5	51
Participant 6	43
Participant 7	64
Participant 8	56
Participant 9	47
Participant 10	47
Average	52.11 (total divided by 9)

Table I13 illustrates the various occupations held by the sample, which included: real estate brokers, maintenance supervisor, contractor, clothing store owner, bank vice president, title insurance executive, state worker, and an unemployed participant. There were more participants in this sample that held occupations that were interrelated to the real estate business. This may indicate that people that hold occupations that are interrelated to the real estate business may have a high correlation to wealth, or number of investment properties.

Table I13.

Composition of Participants by Occupation

Participant	Occupation
Participant 1	Real estate broker
Participant 2	Maintenance supervisor
Participant 3	Real estate broker
Participant 4	Contractor
Participant 5	Clothing store owner
Participant 6	Real estate broker
Participant 7	Bank vice president
Participant 8	Title insurance executive
Participant 9	State worker
Participant 10	Unemployed

Table I14 represents the number of properties currently owned in Philadelphia by the participants for at least 1 year. The number of properties ranged from a low of 5 to a high of 25. The average number of properties was 14. One participant did not disclose his answer and was not factored into the average. The wide range of property ownership is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis. Also, it suggests that these participants had enough experience to add true value to this study.

Table I14.

Composition of Participants by Total Number of Residential Properties Currently Owned in Philadelphia for at Least 1 Year

Participant	Number of properties
Participant 1	20
Participant 2	10
Participant 3	Undisclosed
Participant 4	7
Participant 5	24
Participant 6	20
Participant 7	25
Participant 8	5
Participant 9	8
Participant 10	7
Average	14 (total divided by 9)

Table I15 represents the participants' purchasing experience of residential properties in Philadelphia. This is reflected by the total number of years since they have purchased their first residential property in Philadelphia. The number of years ranged from a low of 10 to a high of 36. The average number of years was 27.4. This is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis. Also, it has demonstrated that these participants had enough experience to add true value to this study.

Table I15.

Composition of Participants by Total Number of Years Since They Purchased Their First Residential Property in Philadelphia

Participant	Number of years
Participant 1	32
Participant 2	10
Participant 3	33
Participant 4	36
Participant 5	30
Participant 6	21
Participant 7	30
Participant 8	30
Participant 9	25
Participant 10	27
Average	27.4

Focus Group Data Analysis: Description of Data on Interview Participants

The gender composition of the sample, as shown in Table I16, was all male participants (5 out of 5 participants). There were no female participants in this sample. However, there wasn't any indication that this may have caused a bias in the significant results of this study.

Table I16.

Composition of Participants by Gender

Gender	Participants
Female	0
Male	5
Total sample	5

The marital status composition of the sample, as shown in Table I17, was all male participants (5 out of 5 participants). None of the participants were in any other marital status category. However, there isn't any indication that this may have caused a bias in the significant results of this study.

Table I17.

Composition of Participants by Marital Status

Marital status	Participants
Single	0
Married	5
Divorced	0
Widowed	0
Total sample	5

The educational composition of the sample, as shown in Table I18, reflected a majority of participants with a high school degree as their highest degree earned (3 out of 5 participants). Two participants had an associate's degree as their highest degree earned. The participants may have had a low level of formal education; however, all the participants in this sample were in the large-scale investor group and had a higher level of real estate knowledge. This may indicate that the level of formal education and the level of real estate knowledge do not have to be highly correlated.

Table I18.

Composition of Participants by Highest Degree Earned

Degree earned	Participants
High school	3
Associate	2
Bachelor	0
Master	0
Doctorate	0
No degree	0
Total sample	5

Table I19 reflects the type of real estate license acquired by the sample. The majority (4 out of 5 participants) did not have any type of Pennsylvania real estate agent licenses. However, 1 participant had a Pennsylvania real estate broker license. Although the majority of

this sample did not have any formal real estate education, they did have a high level of real estate knowledge. This may indicate that the level of formal real estate education and the level of real estate knowledge do not have to be highly correlated.

Table I19.

Composition of Participants by Type of Real Estate License

Type of real estate license	Participants
Agent	0
Broker	1
No licenses	4
Total sample	5

Table I20 illustrates the diverse composition of ages for the participants. The ages ranged from a low of 47 to a high of 57. The average age was 52.4. This wide range of ages is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis.

Table I20.

Composition of Participants by Age

Participant	Age
Participant 1	57
Participant 2	51
Participant 3	51
Participant 4	56
Participant 5	47
Average	52.4

Table I21 illustrates the various occupations held by the sample, which included: real estate broker, maintenance supervisor, clothing store owner, title insurance executive, and an unemployed participant. This wide range of occupations is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis.

Table I21.

Composition of Participants by Occupation

Participant	Occupation
Participant 1	Realtor estate broker
Participant 2	Maintenance supervisor
Participant 3	Clothing store owner
Participant 4	Title insurance executive
Participant 5	Unemployed

Table I22 represents the total number of properties currently owned in Philadelphia by

the participants for at least 1 year. The number of properties ranged from a low of 5 to a high of

24. The average number of properties was 13.2. This is a good indication that the participants

selected for this study were diverse enough for a well-rounded analysis. Also, it has

demonstrated that these participants had enough experience to add true value to this study.

Table I22.

Composition of Participants by Total Number of Properties Currently Owned in Philadelphia for at Least 1 Year

Participant	Number of properties
Participant 1	20
Participant 2	10
Participant 3	24
Participant 4	5
Participant 5	7
Average	13.2

Table I23 represents the participants' purchasing experience of residential properties in

Philadelphia. This is reflected by the total number of years since they purchased their first

residential property in Philadelphia. The number of years ranged from a low of 10 to a high of

32. The average number of years was 25.8. This is a good indication that the participants

selected for this study were diverse enough for a well-rounded analysis. Also, it has

demonstrated that these participants had enough experience to add true value to this study.

Table I23.

Composition of Participants by Total Number of Years Since They Purchased Their First Residential Property in Philadelphia

Participant	Number of years
Participant 1	32
Participant 2	10
Participant 3	30
Participant 4	30
Participant 5	27
Average	25.8

Sample Comparison Data Analysis: Description of Data on Interview Participants

The gender composition of all three samples was mostly male (20 out of 25 participants).

There were no female participants in the large-scale investor sample and the focus group.

However, the small-scale investor group had an equal composition of both genders. One

observation that was made by the researcher was that it was easier to find females to participate

in the small-scale investor group than in the large-scale investor group.

The marital status composition of the sample reflected a majority of married participants

for all of the samples (20 out of 25 participants). The small and large-scale samples and the

focus group had a majority of married participants (6 out of 10, 9 out of 10, and 5 out of 5

participants respectively). There was only 1 widowed participant and no divorced participants

from all three samples. One observation that was made by the researcher was that it was easier

to find females to participate in the small-scale investor group than in the large-scale investor

group. This may indicate that married men who own more than five properties tend to be more representative of the financial affairs in their relationship.

The educational composition of the three samples demonstrated a very diverse group. The small-scale investor sample had a majority of participants with high school degrees only (7 out of 10 participants). Half of the large-scale sample had high school degrees. However, this sample also had a mixture of participants with associate's degrees (3 participants), master's degree's (1 participant), and doctorate's degrees (1 participant). The focus group sample had a majority of participants with high school degrees (3 out of 5 participants). This sample also had 2 participants with an associate's degree. Consequently, the large-scale investor group had a more diverse educational composition than the small-scale investors. This may indicate that the level of education may have a higher correlation to wealth, or number of investment properties.

The majority of all three samples had no Pennsylvania real estate licenses (21 out of 25 participants). All of the small-scale investors did not have any forms of Pennsylvania real estate licenses. The majority of the large-scale investors (7 out of 10 participants) and the focus group (4 out of 5 participants) did not have any real estate licenses. However, 3 participants from the large-scale investor group and 1 participant from the focus group did have a broker's license in the state of Pennsylvania. This may indicate that the level of real estate education may have a higher correlation to wealth, or number of investment properties.

There was a diverse composition of ages for all of the samples. The highest ages for the small-scale investor group, large-scale investor group, and focus group were 88, 64, and 57, respectively. The lowest ages for the small-scale investor group, large-scale investor group, and focus group were 30, 43, and 47, respectively. The average ages for the small-scale investor

group, large-scale investor group, and focus group were 50.2, 52.11, and 52.4, respectively. The ages of all the samples ranged from a low of 30 to a high of 88. The average age of all the samples was 51.57. One participant in the large-scale investor group did not disclose his age and was not factored into the average. This wide range of ages is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis.

Table I24 illustrates the various occupations held by the sample. The samples contained a large mixture of occupations. There were more participants in the large-scale investor group sample that held occupations that were interrelated to the real estate business. This may indicate that people that hold occupations that are interrelated to the real estate business may have a higher correlation to wealth, or number of investment properties.

Table I24.

Composition of Participants by Occupation

Participants	Small scale investor group Occupation	Large scale investor group Occupation	Focus group Occupation
Participant 1	Home insurance sales agent	Real estate broker	Realtor estate broker
Participant 2	Unemployed	Maintenance supervisor	Maintenance supervisor
Participant 3	Unemployed	Real estate broker	Clothing store owner
Participant 4	Beautician	Contractor	Title insurance executive
Participant 5	Secretary	Clothing store owner	Unemployed
Participant 6	Contractor	Real estate broker	
Participant 7	Manager	Bank vice president	
Participant 8	Facilities manager	Title insurance executive	
Participant 9	Mechanic	State worker	
Participant 10	Contractor	Unemployed	

There was a wide range of total number of residential properties currently owned in Philadelphia by the participants for at least 1 year. The highest total number of properties for the small-scale investor group, large-scale investor group, and focus group were 1, 25, and 24, respectively. The lowest total number for the small-scale investor group, large-scale investor group, and focus group were 1, 5, and 5, respectively. The average total numbers for the small-scale investor group, large-scale investor group, and focus group were 1, 14, and 13.2, respectively. The total numbers of all the samples ranged from a low of 1 to a high of 25. The average total number of all the samples was 9.4. One participant in the large-scale investor group did not disclose his total number and was not factored into the average. The high range of

numbers is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis.

The participants' purchasing experience of residential properties in Philadelphia is reflected by the total number of years since they have purchased their first residential property in Philadelphia. Overall, the samples had similar compositions for each category. The highest total number of years for the small-scale investor group, large-scale investor group, and focus group were 55, 36, and 32, respectively. The lowest total number of years for the small-scale investor group, large-scale investor group, and focus group were 3, 10, and 10, respectively. The average total number of years for the small-scale investor group, large-scale investor group, and focus group were 20.7, 27.4, and 25.8, respectively. The total number of years of all the samples ranged from a low of 3 to a high of 55. The average total number of years for all the samples was 24.63. This is a good indication that the participants selected for this study were diverse enough for a well-rounded analysis. Also, it has demonstrated that these participants had enough experience to add true value to this study.

APPENDIX J: RESPONSES TO OPEN-ENDED QUESTIONS

Table J1.

Responses for the Small-Scale Investors to the Open-Ended Questions

	Participant 1	**Participant 2**	**Participant 3**	**Participant 4**	**Participant 5**
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: **What existing strengths, if any, should Philadelphia continue to improve on? Why?**	Needs to continue adding more trees and enhancing the aesthetic beauty of its neighborhoods. Neighborhoods need to enhance parks and add more local businesses. It is the feature of close walking distance that makes Philadelphia an attractive city.	Re-development of its buildings.	Building codes process needs to continue to be corrected and made easier.	Continue adding more businesses and entertainment.	Philadelphia needs to continue to keep real estate taxes low and to keep on redeveloping properties throughout the city.
1b. In order for the Philadelphia residential real estate market to continue to appreciate in value: **What major obstacles, if any, will Philadelphia have to overcome? Why?**	Quality of education is very low; Safety	Needs to decrease its crime; Needs more police; Safer schools; More parking; and it has a lack of entertainment facilities	Keep building codes uniform in neighborhoods; For example, no painting over brick; Also, keep neighborhoods cleaner.	Philadelphia needs cleaner streets because they are too dirty; More fines from police; Get rid of empty houses; Crime and drug problems are out of control.	Crime and drugs.
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently that the other four major U.S. cities? Why?	Yes. Philadelphia is a secret to outsiders that will eventually be fully discovered.	Yes. There is more redevelopment happening here.	Yes. However, we need to eliminate more graffiti and maintain cleanliness.	Yes. Businesses are doing better and there are a lot more job opportunities here.	Yes. People can buy more with their dollar here.
3a. By what percentage do you think the value	10%. Center City	Undecided.	-10%. Much money	10%. Businesses are	5%. Casinos will be

of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).	and surrounding areas are valuable. Demand is high for this market.		is in foreign countries. Many elderly won't be buying.	doing well here. Also, there is higher immigration because of more business opportunities.	built and will add value. Also, continuous increase in redevelopment of neighborhoods.
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next five years? Why?	10%/ year. Baby boomers are an enormous population. As they get older there will be a higher demand for smaller places and less maintenance.	10%/ year. Continuous redevelopment and improvement of its blighted areas.	0%. People aren't making money like they were years ago.	15%/ year. More business opportunities and more immigration.	7%/ year. Casinos will be built and will add value and also continuous increase in redevelopment of neighborhoods.
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next ten years? Why?	10%/ year. There may be a possible decrease in value in areas away from center city where crime is higher.	10%/ year. Continuous redevelopment and improvement of its blighted areas.	0%. People aren't making money like they were years ago. Also, Philadelphia needs to correct money issues in city hall and find proper allocation for tax dollars.	15%/ year. More business opportunities and more immigration.	9%/ year. Casinos will be built and will add value and also continuous increase in redevelopment of neighborhoods.
4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	If Philadelphia improves its schools and its perceived safety, then more people will be fighting for the same real estate.	None.	Building codes process needs to be fixed. There is a need for more consistency in building facades to make the neighborhood more uniform looking.	None.	Philadelphia needs to clean up the city and eliminate the crime and drug problems.

	Participant 6	Participant 7	Participant 8	Participant 9	Participant 10
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: What existing strengths, if any, should Philadelphia continue to improve on? Why?	Keep redeveloping the neighborhoods, especially the blighted areas. The city needs to continue to eliminate "riff raff," that is, drug dealers and any people who are only bringing the communities down.	Continue to improve on bringing back suburbanites and their jobs. Continue to improve on beautification of neighborhoods, the school systems, and continue to bring more retail industries into the neighborhoods.	Philadelphia needs to keep attracting tourists to visit and to live. They need to continue to build in Center City and add more entertainment here.	Continue attracting larger companies like the new casinos. This will bring in more revenue, jobs, and nicer, affordable homes.	Philadelphia needs to continue promoting more small scale investors and builders.
1b. In order for the Philadelphia residential real estate market to continue to appreciate in value: What major obstacles, if any, will Philadelphia have to overcome? Why?	Philadelphia needs better police and a better mayor. Police aren't that responsive.	Crime is too high ranking. Public schools need revamping. There are still too many neighborhoods that are lacking beautification.	Corrupt politicians. Major crime problems. School and transportation problems.	Homelessness, unemployment, and too many blighted areas still.	Crime.
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?	No. New York is stronger and it may take longer for values to catch up in Philadelphia. Cities like New York make a higher profit and have a higher turnaround.	No. There has not been much done in blue collar neighborhoods. The government here is focusing too much on the high and low end sections of the city but not enough on the core of the city, the blue collar, working class neighborhoods.	Yes. People get more for their dollar here.	Yes. Affordability of homes here. Average homeowner can't afford to live in those other cities.	Yes. Philadelphia values are catching up quicker with New York. Eventually, this city will be a replicate of New York, especially because of its proximity to it.

3a. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).	0%. Market is stagnant. More mortgages and banks are going bad.	5%. Market has reached its peak and is overvalued.	0%. Overvalued.	5%. Supply and demand. There will be a growth of city, more businesses and job opportunities will come, and neighborhoods will keep being redeveloped.	10%. Supply limited. The new administration will be focused on improving crime problems.
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next five years? Why?	5%/ year. The city will be a lot cleaner. Also, more buildings will be built and things will be a lot nicer.	7%/ year. New mayor and government will help. Must decrease crime regardless of how beautiful the city becomes.	-1%/ year. Too many uncertainties.	20% year. Supply and demand. There will be a growth of city. More businesses and job opportunities will come. Neighborhoods will keep being redeveloped.	5%/ year. The new administration will be focused on improving crime problem.
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next ten years? Why?	5%/ year. The city will be a lot cleaner. Also, more buildings will be built and things will be a lot nicer and more expensive.	5%/ year. Needs more cleaning up to do.	-1%/ year. Too many uncertainties.	20%/ year. Supply and demand. There will be a growth of the city. More businesses and job opportunities will come. Neighborhoods will keep being redeveloped.	5%/ year. Crime problem may get worse but has overall faith in the real estate market here.
4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	None.	Philadelphia has seen a huge redevelopment in Center City in the past 25 years. This includes more high rise buildings.	Center City is the major and only redevelopment area. Immigrants are given more help from the government than regular	Philadelphia is a good investment.	Philadelphia needs to continue promoting more small scale investors and builders by giving them more subsidies. They have been

| | Center City is safer, livelier, and has more entertainment than it did 10 years ago. Government needs to focus more on middle-income neighborhoods. Those neighborhoods are deteriorating without major government subsidies. These neighborhoods need to see more benefits like those in Center City. More police patrols are needed in lower class neighborhoods. | blue-collar workers. | | the foundation to the whole beautification process and will continue to be. The sooner the government recognizes this, the faster this city will become a major superstar in the United States real estate market. |

Table J2.

Responses for the Large-Scale Investors to the Open-Ended Questions

	Participant 1	Participant 2	Participant 3	Participant 4	Participant 5
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: **What existing strengths, if any, should Philadelphia continue to improve on? Why?**	Continue opening restaurants and other forms of entertainment because people like to occupy themselves with things close by to relieve stress. This will attract other potential dwellers.	Continue with community groups, redevelopment of its neighborhoods, and cooperation of politicians.	Community neighborhood cleanliness; removal of old cars; continue to improve education; Fairmount Park needs constant policing; improving public transportation and safety; adjusting city wage taxes.	More nightlife; stronger Center City; better job opportunities; ease of zoning and building permits.	Public transportation system has easy access to and from Center City. They need to continue with this by creating a better commute to business districts throughout the city. The city needs to keep low tax structure.
1b. In order for the Philadelphia residential real estate market to continue to appreciate in value: **What major obstacles, if any, will Philadelphia have to overcome? Why?**	High city wage taxes. They detract companies and penalize them for doing business here.	Quality of life, crime, street cleaning, and graffiti.	Casinos in residential neighborhoods. Casinos will bring too many cars and pollution. This city needs a natural progression.	Too much crime and drugs wholesale. The government needs to change their ways on running a major city. Their tax ideas always turn bad. The city needs younger, wiser, more professional politicians to run the city. These politicians should follow the direction of Ed Rendell.	Crime and school. Crime scares outside investors. Schools need to be safe and eliminate negative publicity.
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently that the other	Yes. Growth potential is greater because	Yes. It is still under priced. Dollar for dollar, there is more	Yes. Philadelphia is less expensive than New York and Los	No. Values are higher and these cities are economically	Yes. Philadelphia is undervalued compared in price.

four major U.S. cities? Why?	Philadelphia is undervalued. The properties and mortgages are considerably cheaper.	space with the same problems.	Angeles and better location than Chicago and Houston. There is also a luxury of convenience and ease to Europe.	better. They also are better run politically and strategically.	
3a. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).	8%. However, neighborhoods vary in percentage. Better neighborhoods 4-5%. Lesser quality neighborhoods 10-20%. Mortgage affects everything relative to location.	5%. Bad media publicity.	7%. Still a high demand (foreigners and boomers in suburbs). It is easy to get around with few hills. It is an exciting place for youth because of its many activities. Also it is cheap.	0%. Housing market and mortgage companies are suffering. There is also a big supply with no demand.	- 10%. There is too much pressure on the market, mortgages, supply of housing, and economic situation.
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next 5 years? Why?	4%/ year. More people want to live here. Also there will be more homeowners instead of renters.	12%/ year. The media scare will be over and there will be more reinvestment.	20%/ year. Aging population. More nationwide exposure through an increase in media coverage.	Undecided. This is due to unpredictable economic situation. The worse has yet to come.	3%/ year. This is the effect of the general real estate trend. The first two years will be slow though with no gains.
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next 10 years? Why?	5%/ year (50% total). Entry level buyers will be paying more as there is continuous advancement within the economic ladder of prosperity among Philadelphia residents.	10%/ year. There is too much uncertainty with this time frame.	40%/ year. There is no limit in expansion through continuous buying and building. University of Pennsylvania is continuously expanding. There is limited housing for students.	5%/ year. May take at least three years to overcome political situation, including new president and mayor. There is also a lot more foreclosures to come.	4%/ year. This is the effect of the general real estate trend. The first two years will be slow though with no gains.
4. Please spend a few	Blighted	The city	Philadelphia is	Philadelphia is	There is an

moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	neighborhoods have seen major changes throughout the years and are demanding much higher prices. Next 10 years, 85-90% of blighted areas will be gone. It will never be 100% because of a few inevitable "bad apples."	should be more cooperative and streamline their processes. They should also give small developers more incentives.	still an inexpensive area. Big builders are still finding this out (i.e., Toll Brothers). They experienced a downturn in suburbs. They will need to focus on cities.	a good place to invest but an investor needs to plan on sitting for a while. Prices are inflated now. Investors can't lose if they buy at the right price.	influx of new, young, suburbanites who are leaving the suburbs to move into the city. This may be due to entertainment and convenience.

	Participant 6	Participant 7	Participant 8	Participant 9	Participant 10
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: What existing strengths, if any, should Philadelphia continue to improve on? Why?	Continue 10 year tax abatement because it will help the newer generation of buyers afford to make new purchases.	The city needs to continue the 10 year tax abatement, which is an enticement for homebuyers. They are attracted to affordability.	The city needs to keep programs for people to get housing affordably. School system is improving and should continue this. They should also keep redeveloping.	The city needs to continue to eliminate blighted areas.	Continuous redevelopment of distressed neighborhoods.
1b. In order for the Philadelphia residential real estate market to continue to appreciate in value: What major obstacles, if any, will Philadelphia have to overcome? Why?	The public school system is inferior to suburbs. Rising crime rate increases fear and decreases value.	The city needs to improve the process of approval.	Crime is out of control. There is a need for more police. The city needs to be cleaner and safer.	Crime needs to be decreased so that people will feel safe to come here. The city needs to increase commerce by opening more businesses to attract people here.	Crime needs to be eliminated.
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?	Yes. Mainly because our market is undervalued. A standard house is a lot	Yes. Philadelphia is undervalued.	No. Philadelphia is a good investment but if an investor had enough money, the	Yes. New York is too expensive. Los Angeles and Houston have a lot of natural issues	Yes. Philadelphia is undeservingly lagging behind other cities in value.

	cheaper relative to size. This is more comfortable for newer couples.		return in New York would be much greater.	like hurricanes and tornadoes. Chicago has a low income per capita. Philadelphians will make a better gain percentage wise.	
3a. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).	3%. The rise in interest rates has an effect on things.	5% max. Economic problems and excess of supply.	6%. Rate of return on real estate has always been greater than banks.	0% or less. It will be hard to make money over the next year unless you have a special niche because of the increased interest rates.	4%. This is due to conditions of the stock market, real estate, and mortgages.
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next five years? Why?	3%/ year. This is primarily because of interest rates but the economy has a little to do with it. Also, there is movement of buyers and sub prime lending problems are accumulating.	5%/ year. Philadelphia is undervalued and there will be continuous redevelopment.	10%/ year. The city is in a correction period. 20% was prior average.	10%/ year. Foreclosure situation will be getting better and the population will be increasing.	5%/ year. Historically, the real estate market is self correcting, thus, it should improve.
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next ten years? Why?	1%/ year. This is because of lending factors. Tightness will continue.	10%/ year. Ten year tax abatement will end and this may hurt the city. They need to keep it.	12%/ year. This time frame will result in a full correction period.	10%/ year. Population will be increasing. Also, traffic congestion in Washington and New York will cause more people to come here. Philadelphia has a lot of easy access to the roads of the city.	5%/ year. Historically, the real estate market is self correcting, thus, it should improve.

4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	The city needs to keep 10 year tax abatement to stir continuation of redevelopment. This will sway people to stay here. School system has potential but crime may never be solved. Philadelphia has good entertainment. There has been an increase in foreign residents and it will continue.	Philadelphia is a beautiful city but it can be a terrific one.	Philadelphia has many neighborhoods and schools. Temple is creating many good neighborhoods along with other schools. The city needs to give them more subsidies to help them redevelop.	None.	Philadelphia real estate is a good opportunity and a good investment.

Table J3.

Responses for the Focus Group Investors to the Open-Ended Questions

	Participant 1	**Participant 2**	**Participant 3**	**Participant 4**	**Participant 5**
Survey questions					
1. What are your perceptions of the redevelopment activity of the residential real estate market in Philadelphia County, PA?	Overall Positive	Overall Positive	Overall Positive	Overall Positive	Overall Positive
2. What are your perceptions of the values of the residential real estate market in Philadelphia County, PA?	Overall Positive	Overall Positive	Overall Positive	Overall Positive	Overall Positive
3. What are your perceptions of the expected rate of return generated from the residential real estate market in Philadelphia County, PA?	Overall Positive	Overall Positive	Overall Positive	Overall Positive	Overall Positive
4. What are your perceptions of the residential real estate market in Philadelphia County, PA?	Overall Positive	Overall Positive	Overall Positive	Overall Positive	Overall Positive
Open Ended Questions					
1a. In order for the Philadelphia residential real estate market to continue to appreciate in value: What existing strengths, if any, should Philadelphia continue to improve on? Why?	Continue opening restaurants and other forms of entertainment because people like to occupy themselves with things close by to relieve stress. This will attract other potential dwellers.	Continue with community groups, redevelopment of its neighborhoods, and cooperation of politicians.	Public transportation system has easy access to and from Center City. They need to continue with this by creating a better commute to business districts throughout the	The city needs to keep programs for people to get housing affordably. School system is improving and should continue this. They should also keep redeveloping.	Continuous redevelopment of distressed neighborhoods.

			city. The city needs to keep low tax structure.		
1b. In order for the Philadelphia residential real estate market to continue to appreciate in value: **What major obstacles, if any, will Philadelphia have to overcome? Why?**	High city wage taxes. They detract companies and penalize them for doing business here.	Quality of life, crime, street cleaning, and graffiti.	Crime and school. Crime scares outside investors. Schools need to be safe and eliminate negative publicity.	Crime is out of control. There is a need for more police. The city needs to be cleaner and safer.	Crime needs to be eliminated.
2. Do you perceive the Philadelphia residential real estate market to be a better investment currently than the other four major U.S. cities? Why?	Yes. Growth potential is greater because Philadelphia is undervalued. The properties and mortgages are considerably cheaper.	Yes. It is still under priced. Dollar for dollar, there is more space with the same problems.	Neutral. Don't have enough information about Chicago or Houston to determine this.	Yes. Growth potential is greater because Philadelphia is undervalued.	Yes. Philadelphia is undeservingly lagging behind other cities in value.
3a. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next year? Why? (Stated in aggregate).	3%. However, neighborhoods vary in percentage. Mortgage affects everything relative to location.	2%. Bad media publicity.	2%. There is too much pressure on the market, mortgages, supply of housing, and economic situation.	2%. Rate of return on real estate has always been greater than banks.	2%. This is due to conditions of the stock market, real estate, and mortgages.
3b. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next five years? Why?	5%/ year. More people want to live here. Also there will be more homeowners instead of renters.	5%/ year. The media scare will be over and there will be more reinvestment.	5.5%/ year. This is the effect of the general real estate trend. The first two years will be slow though with no gains.	3%/ year. The city is in a correction period. 20% was prior average.	5%/ year. Historically, the real estate market is self correcting, thus, it should improve.
3c. By what percentage do you think the value of residential real estate in Philadelphia will increase: Over the next ten years? Why?	10%/ year. Entry level buyers will be paying more as there is continuous advancement within the	8%/ year. There is too much uncertainty with this time frame.	7.5%/ year. This is the effect of the general real estate trend. The first two years will be slow though	5%/ year. This time frame will result in a full correction period.	7%/ year. Historically, the real estate market is self correcting, thus, it should improve.

	economic ladder of prosperity among Philadelphia residents.		with no gains.		
4. Please spend a few moments elaborating on any other thoughts that you may have of the residential real estate market in Philadelphia County, PA.	Blighted neighborhoods have seen major changes throughout the years and are demanding much higher prices. Next 10 years, 85-90% of blighted areas will be gone. It will never be 100% because of a few inevitable "bad apples."	The city should be more cooperative and streamline their processes. They should also give small developers more incentives.	There is an influx of new, young, suburbanites who are leaving the suburbs to move into the city. This may be due to entertainment and convenience.	Philadelphia has many neighborhoods and schools. Temple is creating many good neighborhoods along with other schools. The city needs to give them more subsidies to help them redevelop.	Philadelphia real estate is a good opportunity and a good investment.

CURRICULUM VITAE

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EDUCATION:

The George Washington University, Washington, D.C.
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Institute of Italian Studies, Drake University, Florence, Italy
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The American College, Bryn Mawr, PA
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Chartered Financial Consultant (CHFC), Chartered Life Underwriter (CLU),
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EXPERIENCE:

A. Criniti Realty   Philadelphia
(11/05-Present)   *Real Estate Investor*

Ameritas Acacia   Fort Washington, PA
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Partners Financial Group   Las Vegas, NV
(11/03-5/04)   *Financial Planner*
- Assisted multi-million dollar producers with managing their client's accounts.

Vanguard   Malvern, P.A.
(10/00-9/03)   *Investment and Retirement Specialist*
- Educated potential and existing clients about the company's IRA products using detailed knowledge of Vanguard's funds, services and market factors.

- Assessed which funds and asset allocations are appropriate for clients' investment goals and risk tolerance.
- Researched and resolving shareholder account problems.
- Facilitated direct rollovers to Vanguard IRAs using knowledge of various retirement plans.

The Bennett Group of Legg Mason Washington, D.C.
(9/99-12/99)   *Intern*
- Established and maintained clients' portfolios.
- Researched companies using Bloomberg and the Internet.

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(Fall 1997)   *Intern*
- Assisted in the financial aspects of the President's travels.
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