The economic shutdown spurred by the COVID-19 health crisis has had severe economic effects in Philadelphia, as in other major US cities. Immediately after the stay-at-home orders were issued in mid-March, the economy slowed dramatically, with primary impacts on hotels, restaurants, retail, and air travel. Since that time, there has been a gradual recovery as more activities are resuming, although the rebound is limited by the need to maintain public health precautions.

This report examines Philadelphia’s economic recovery in terms of key economic indicators, focusing on employment, office, local tax revenues, the housing market, and construction activity.

**EMLOYMENT**

Since losing 101,200 jobs in the month of April, a decline of 13.5%, Philadelphia has steadily added 36,300 jobs, lifting employment numbers to 683,100 in July. Still, in July 2020, there were 53,500 fewer jobs in the city than in July 2019, a decline of 7.3%.

The most significant job losses from February to July occurred in the leisure and hospitality sector, where employment declined by 31,100, a 39.8% drop. Significant job losses also occurred in educational services (18,400), professional and business services (7,200), other services (3,300), and health care and social assistance (5,100). Over this five month period, employment declined in every major industrial category in the city except construction.¹

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¹ Industrial level employment for Philadelphia city is not seasonally adjusted.

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**PHILADELPHIA TOTAL EMPLOYMENT BY MONTH 2019 VS. 2020**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>732.2</td>
<td>749.9</td>
</tr>
<tr>
<td>February</td>
<td>731.9</td>
<td>753.4</td>
</tr>
<tr>
<td>March</td>
<td>734.3</td>
<td>748.0</td>
</tr>
<tr>
<td>April</td>
<td>735.6</td>
<td>646.8</td>
</tr>
<tr>
<td>May</td>
<td>736.2</td>
<td>656.9</td>
</tr>
<tr>
<td>June</td>
<td>736.6</td>
<td>675.6</td>
</tr>
<tr>
<td>July</td>
<td>736.6</td>
<td>683.1</td>
</tr>
</tbody>
</table>

UNEMPLOYMENT RATE
The city’s unemployment rate increased from 7.0% in March to 17.0% in April, and climbed to 19.6% in July. Philadelphia’s unemployment rate remains well above the Pennsylvania rate of 13.7% and the national rate of 10.5%.

UNEMPLOYMENT CLAIMS
Since peaking at over 18,000 in the week ended April 4, initial claims for unemployment benefits in Philadelphia have declined gradually. In the most recent week, the week ended August 22, there were 2,951 new claims in the city.2

There have been 100,000 or more continuing claims in most weeks since early May, indicating the importance of unemployment benefits for city residents and the overall economy.
By mid-March, there were a limited number of businesses open in Center City, due to the city and state requirement to close non-essential businesses. In July, restaurants were able to open for outdoor dining, and retail stores also were allowed to open to customers. CCD surveyed storefronts within the District between June 12 and 26 to assess the status of reopening. Among 1,634 storefronts, 46% were closed, 33% were fully open, 12% were offering take out or in-store pickup only, while 4% were providing outdoor seating and take out.

CCD staff has also been tracking the number of boarded up retailers within the District. In April, just after the shutdown, there were 61 retail businesses that had covered their windows with plywood.
In June, immediately following the weekend of vandalism and looting, there were 276 boarded up premises. By mid-July, the number of boarded up establishments had dropped to 158 and in the week ending August 14th the number had declined further to 41. CCD on-street crews painted the plywood black on 32 of these premises to limit graffiti and is installing artwork and retail graphics on many of them.

Within Center City in July, 146 restaurants had deployed outdoor seating with 3,600 seats. This represents 77.6% of premises that had outdoor seating last year. Since this survey, street closures have occurred on 13th Street for in-street dining on weekends and 18th Street and the 1500 block of Sansom Street are preparing for similar closures.

OFFICES

The Philadelphia office market has remained stable through the first half of 2020. In Q1 2020, the overall Philadelphia central business district (including Center City and University City) continued last year’s positive trends with a new high asking rent of $34.31 per square foot. Center City experienced net absorption of 142,509 square feet, with three leasing transactions, all over 20,000 square feet. By Q2, the stay at home order for Philadelphia was well underway, encouraging most companies to utilize work from home policies.

Center City’s office vacancy rate increased from 12.9% in the first quarter to 13% in the second. In the second quarter, there were three lease transactions, one a renewal. Net absorption was much lower in the second quarter at 20,399 square feet. Total asking rent remains high. In mid-August, Newmark Knight Frank reported half of 25 major office leases that are up for renewal in Center City between now and the end of 2022 have renewed or are in process of renewing. However, no more than 5% to 10% of workers are actually working in offices downtown.

CONSTRUCTION

The Governor’s order to suspend “non-life sustaining businesses, including Construction” on March 19, led to a stoppage of nearly all construction in the city. Construction was authorized to restart on May 1. Total construction-related permits issued by the City decreased by 39% between February and March and dropped an additional 67% between March and April. Permit activity has since increased, but remains below the 2019 level.

CENTER CITY OFFICE MARKET, 2020

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>TOTAL ASKING RENT (PRICE/SF)</th>
<th>Q1 2020</th>
<th>NET ABSORPTION (SF)</th>
<th>TOTAL ASKING RENT (PRICE/SF)</th>
<th>Q2 2020</th>
<th>NET ABSORPTION (SF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Market</td>
<td>$29.81</td>
<td>10.0%</td>
<td>45,838</td>
<td>$29.65</td>
<td>9.9%</td>
<td>6,660</td>
</tr>
<tr>
<td>Independence Square</td>
<td>$31.12</td>
<td>15.0%</td>
<td>10,312</td>
<td>$31.18</td>
<td>14.5%</td>
<td>17,023</td>
</tr>
<tr>
<td>Walnut/South Broad</td>
<td>$30.83</td>
<td>18.3%</td>
<td>-27,621</td>
<td>$30.78</td>
<td>18.7%</td>
<td>-15,649</td>
</tr>
<tr>
<td>West Market</td>
<td>$36.14</td>
<td>12.3%</td>
<td>113,980</td>
<td>$35.90</td>
<td>12.6%</td>
<td>12,365</td>
</tr>
<tr>
<td>CENTER CITY</td>
<td>$33.80</td>
<td>12.9%</td>
<td>142,509</td>
<td>$33.67</td>
<td>13.0%</td>
<td>20,399</td>
</tr>
</tbody>
</table>

Source: Newmark Knight Frank
HOUSING MARKET

Despite the economic slowdown, the median sale price for Philadelphia homes has increased in 2020, and is estimated at $248,500 in July. Citywide, home sales reached a low of 769 in May, but have increased in subsequent months, reaching 1,688 in July.

Compared to 2019, Core Center City experienced a 35% decrease in homes sold in May and a 54% decrease in June. Extended Center City experienced a smaller decline of 23% in May and 38% in June. The median sale price has increased for all zip codes within Core Center City.

In the Philadelphia region, economic hardship is impacting the rental market. According to the most recent data (July 16 - July 21) from the Census Bureau’s PULSE survey, 19.3% of renters missed their payment for their last month’s rent in the US, compared to 17.4% in Pennsylvania, and 26.5% in the Philadelphia metropolitan area. The percentage of renters who deferred their rent was 2.2% for the US, 1.8% for Pennsylvania, and 3.7% in the Philadelphia region.

MONTHLY NUMBER OF HOMES SOLD, PHILADELPHIA

MONTHLY NUMBER OF HOMES SOLD, GREATER CENTER CITY

MONTHLY MEDIAN SALE PRICE, PHILADELPHIA
CITY TAX REVENUES

Monthly City tax revenues are an important real-time indicator of the strength of the city economy. Wage tax revenues reflect earnings of city residents regardless of where they work, and non-residents who work in Philadelphia. Real estate transfer tax revenues reflect the aggregate value of residential and commercial property sales. Hotel tax revenues reflect total hotel industry revenue.

Beginning in May, wage tax collections fell well below the level of 2019, with May collections down by 18% and June collections down 9% from the prior year. Real estate transfer tax collections in the second quarter of 2020 declined 58% from the second quarter of 2019. Hotel tax collections declined dramatically in April and May. In June, total collections were $400,000, only 5% of the prior year level.

MONTHLY WAGE AND EARNINGS TAX REVENUE ($ IN MILLION)

MONTHLY REAL ESTATE TRANSFER TAX REVENUE ($ IN MILLIONS)

MONTHLY HOTEL TAX REVENUE ($ IN MILLIONS)

Source: City of Philadelphia Department of Revenue

3: https://www.census.gov/programs-surveys/household-pulse-survey/data.html
PEDESTRIAN COUNTS

With nonessential office, retail, and service workers urged to stay at home, the streetscape of Center City has changed significantly. In March 2019, pedestrian traffic along city blocks monitored by CCD averaged 174,663 per day. Daily pedestrians declined to an average of 58,671 in March 2020, and 23,233 in April. Foot traffic has increased to 60,659 in August as more businesses have reopened.

BIKE SHARE USAGE

Philadelphia’s bike share system, Indego, has over 500 bikes and 60 docking stations. Ridership in Q1 2020 was relatively stable (around 40,000 trips per month), and after a decline in April has increased dramatically, to an all-time high of over 970,000 trips in June.

AVERAGE DAILY PEDESTRIANS IN CENTER CITY

MONTHLY BIKE SHARE TRIPS

Source: Center City District

Source: Indego Open Data
PUBLIC TRANSIT

SEPTA ridership declined precipitously in March and April for all transit modes. Compared to January, April ridership was down by 81% on the Broad Street line, 79% on the Market-Frankford line, 89% on trolleys, 91% on City Transit division buses, and 91% on regional rail. By May, regional rail ridership declined to just 3% of January’s level. In June, ridership increased across all modes, with City Transit Division buses seeing the largest increase.

OFF-STREET PARKING

Parkway Corporation reports that across their multiple off street garages, they are experiencing a slow recovery: volumes were down 82.8% in May compared to 2019, 71.5% in June and 54.7% in July.