



CENTER CITY REPORTS

Monitoring Philadelphia's Economic Recovery

November 2020

NOVEMBER 2020

CENTER CITY DISTRICT,
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

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Despite recurring uncertainty, Philadelphia is steadily recovering from the economic downturn prompted by the pandemic and the stay-at-home orders that were issued in mid-March. This report, which is being updated monthly, tracks key indicators of the Philadelphia economy and the vitality of Center City.

EMPLOYMENT

Between March and April, Philadelphia payroll employment declined from 748,000 to 646,800, a loss of 101,200 jobs, 13.5% of all wage and salaried positions in the city. Through September, as businesses began to reopen, employment rebounded to 693,900, an increase of 47,100 jobs from April (7.3%). September's employment level, however, remained 54,100 (7.2%) below March levels.¹

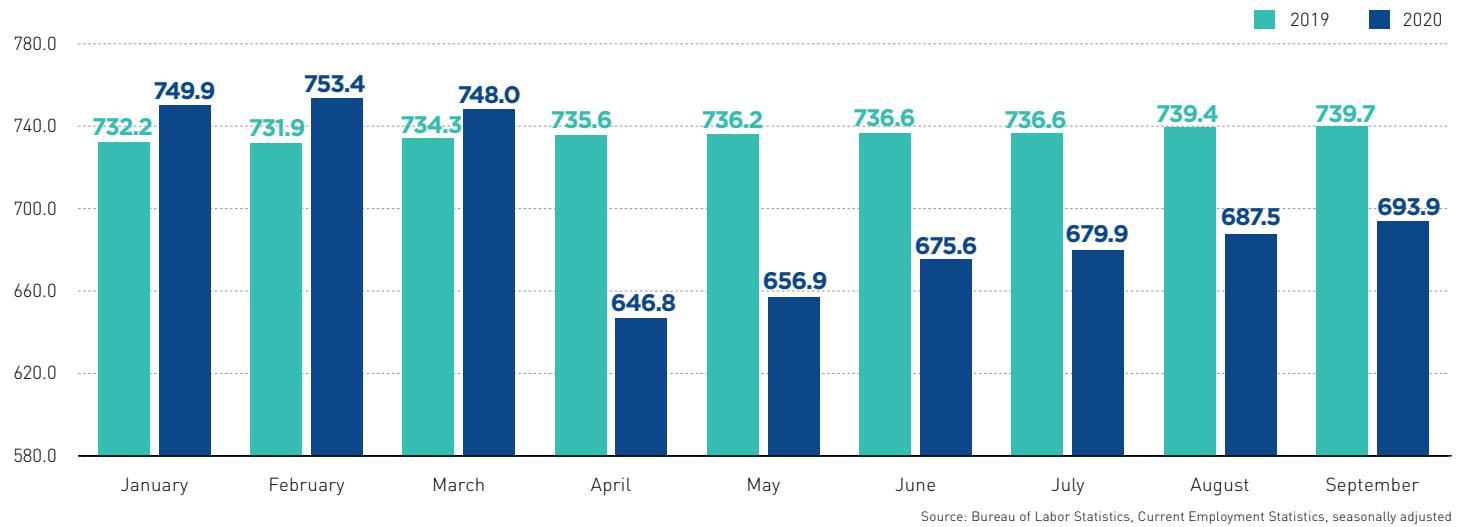
The job loss in Philadelphia has been less severe than in some other East Coast cities. As of September, New York City's payroll employment remains 12.3% below March statistics, while Baltimore employment was down by 10.0%. September employment in Washington, DC, however, was 6.9% below the March level, a slightly greater rebound than in Philadelphia.

Comparing employment levels by industry between March and September, Philadelphia's greatest job loss on a percentage basis has been in leisure and hospitality, which is now 27,700 jobs (36.3%) below March levels, and educational services, which is 9,800 jobs (12.9%) short of March levels. Most of the losses within leisure and hospitality have been in accommodation and food services, which declined by 22,600 jobs (37.2%).²

1: Total city payroll employment for all industries is seasonally adjusted.

2: Jobs by industry are not seasonally adjusted, including job totals for this section
Center City District & Central Philadelphia Development Corporation

PHILADELPHIA TOTAL EMPLOYMENT BY MONTH, 2019 VS. 2020 (IN THOUSANDS)



PHILADELPHIA CITY EMPLOYMENT TRENDS BY INDUSTRY (IN THOUSANDS)

	MARCH 2020	SEPTEMBER 2020	CHANGE	% CHANGE
TOTAL JOBS	748.4	695.3	-53.1	-7.1%
Mining, Logging and Construction	11.8	12.3	0.5	4.2%
Manufacturing	18.4	17.8	-0.6	-3.3%
Wholesale Trade	15.0	13.8	-1.2	-8.0%
Retail Trade	49.6	48.6	-1.0	-2.0%
Transportation, Warehousing, and Utilities	29.8	29.4	-0.4	-1.3%
Information	12.2	11.5	-0.7	-5.7%
Financial Activities	43.8	42.1	-1.7	-3.9%
Professional and Business Services	105.7	98.3	-7.4	-6.9%
Professional, Scientific, and Technical Services	61.8	56.1	-5.7	-9.2%
Educational Services	76.0	66.2	-9.8	-12.9%
Health Care and Social Assistance	174.5	171.1	-3.4	-1.9%
Hospitals	58.3	57.9	-0.4	-0.7%
Leisure and Hospitality	76.3	48.6	-27.7	-36.3%
Accommodation and Food Services	60.8	38.2	-22.6	-37.2%
Other Services	28.4	25.6	-2.8	-9.9%
Government	106.9	110.0	3.1	2.9%
Federal Government	30.5	32.7	2.2	7.2%
State Government	10.8	10.8	0.0	0.0%
Local Government	65.6	66.5	0.9	1.4%

Source: Bureau of Labor Statistics, Current Employment Statistics, not seasonally adjusted.

UNEMPLOYMENT RATE

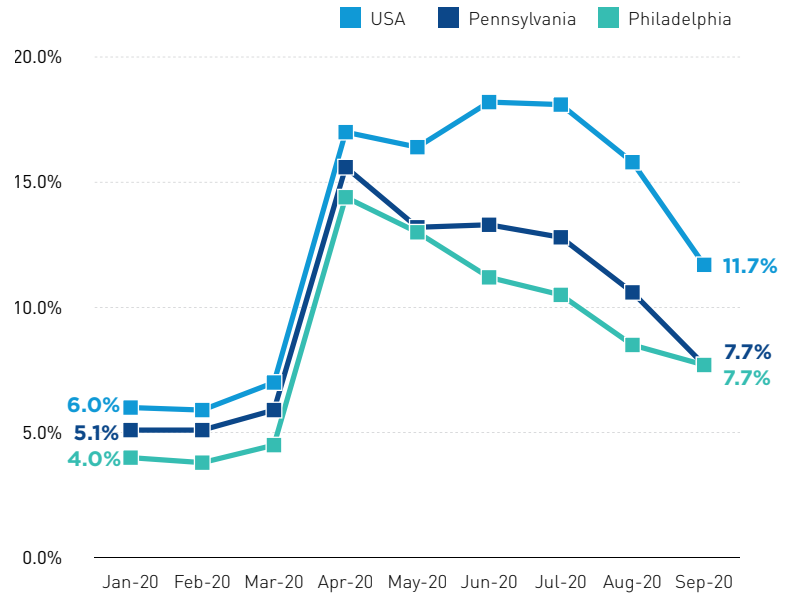
Philadelphia's unemployment rate jumped from 7.0% in March to 18.2% in June, and has since declined to 11.7% in September. These trends are similar to state and national trends, although the city's unemployment rate has been consistently higher than in Pennsylvania and the US throughout 2020. The September unemployment rate in Philadelphia was higher than in Washington, DC (8.8%) and Baltimore (9.1%), but lower than in New York City (13.9%).

As a point of comparison, Philadelphia's official unemployment rate during the period following the recession of 2008-2009 peaked at 12.0% in July 2012.

UNEMPLOYMENT CLAIMS

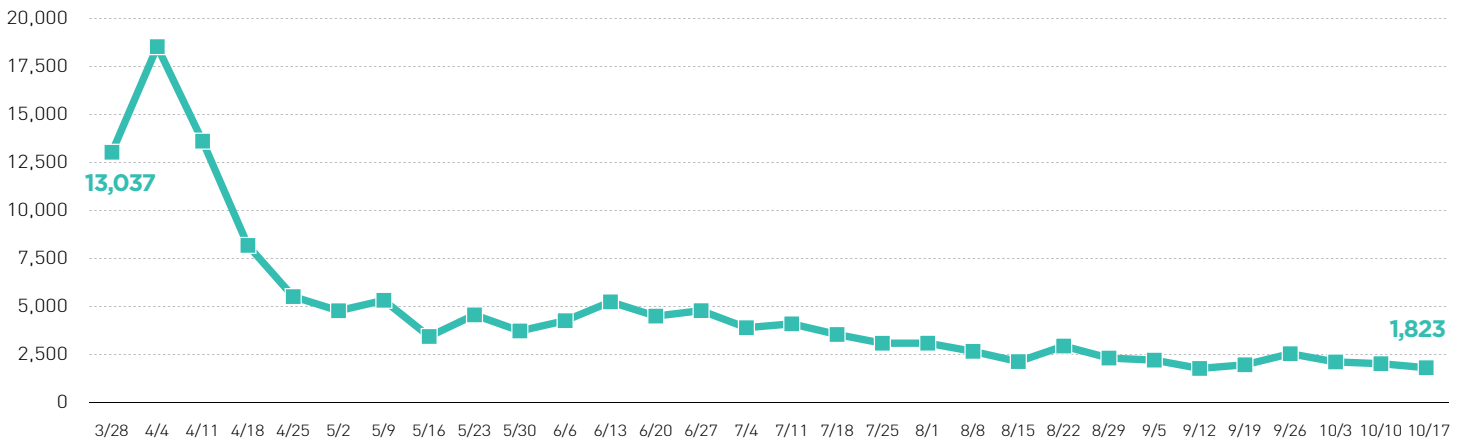
Since peaking at over 18,000 in April, initial claims for unemployment benefits in Philadelphia have declined gradually to 1,823 in the week ending October 17. Continuing unemployment claims peaked at over 130,000 in early May, and remained over 100,000 through most of the summer, but have since declined rapidly, from 103,000 in the week ending August 22 to 64,069 in the week ending October 17. Initial claims by Philadelphia residents in the most recent week represent 12.6% of the state total, while continuing claims in the city represent 18.4% of the total claims by all state residents.³

MONTHLY UNEMPLOYMENT RATES



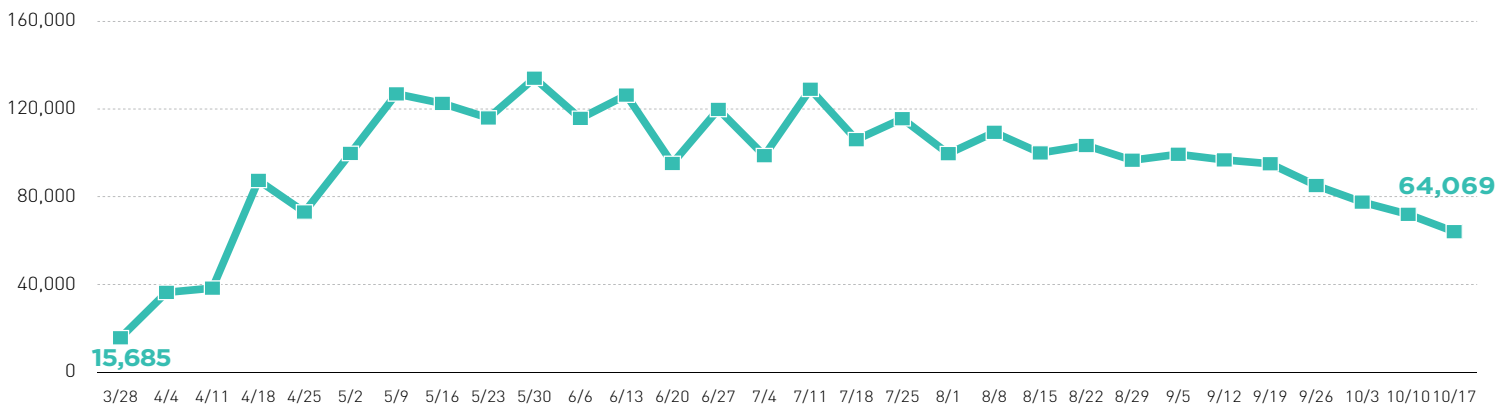
Source: Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics, not seasonally adjusted

INITIAL UNEMPLOYMENT CLAIMS, PHILADELPHIA, BY WEEK



Source: Pennsylvania Department of Labor and Industry

CONTINUED UNEMPLOYMENT CLAIMS, PHILADELPHIA, BY WEEK



Source: Pennsylvania Department of Labor and Industry

3: These calculations exclude Pennsylvania unemployment claims by non-residents.

OFFICES

The impact of the downturn on the Center City office market was evident in the third quarter. The vacancy rate, according to Newmark Knight Frank, increased from 12.9% in the first quarter to 13.9% in the third quarter, as 350,000 square feet of space came back onto the market. Many firms that were in the market for new space prior to the pandemic have put plans on hold, while some co-working locations have closed. On a positive note, only a few smaller firms have relocated to the suburbs since the pandemic began.⁴ Average

asking rents have held up through the third quarter, at \$33.90 per square foot across the Center City market. Moreover, the third quarter saw groundbreaking for a new headquarters for Morgan Lewis at 2222 Market Street.

In a separate third quarter analysis, Savillis noted a small, a 30-bps uptick from the second quarter in office subleases with a sublet availability rate of 1.6%.⁵

CENTER CITY OFFICE MARKET TRENDS

SUBMARKET	Q1			Q2			Q3		
	ASKING RENT (PRICE/SF)	VACANCY RATE	NET ABSORPTION (SF)	ASKING RENT (PRICE/SF)	VACANCY RATE	NET ABSORPTION (SF)	ASKING RENT (PRICE/SF)	VACANCY RATE	NET ABSORPTION (SF)
East Market	\$29.81	10.0%	45,838	\$29.65	9.9%	6,660	\$30.48	9.5%	22,295
Independence Square	\$31.12	15.0%	10,312	\$31.18	14.5%	17,023	\$31.13	15.7%	-59,256
Walnut/South Broad	\$30.83	18.3%	-27,621	\$30.78	18.7%	-15,649	\$30.89	19.4%	-28,117
West Market	\$36.14	12.3%	113,980	\$35.90	12.6%	12,365	\$35.80	13.8%	-284,758
CENTER CITY	\$33.80	12.9%	142,509	\$33.67	13.0%	20,399	\$33.90	13.9%	-349,836

Source: Newmark Knight Frank

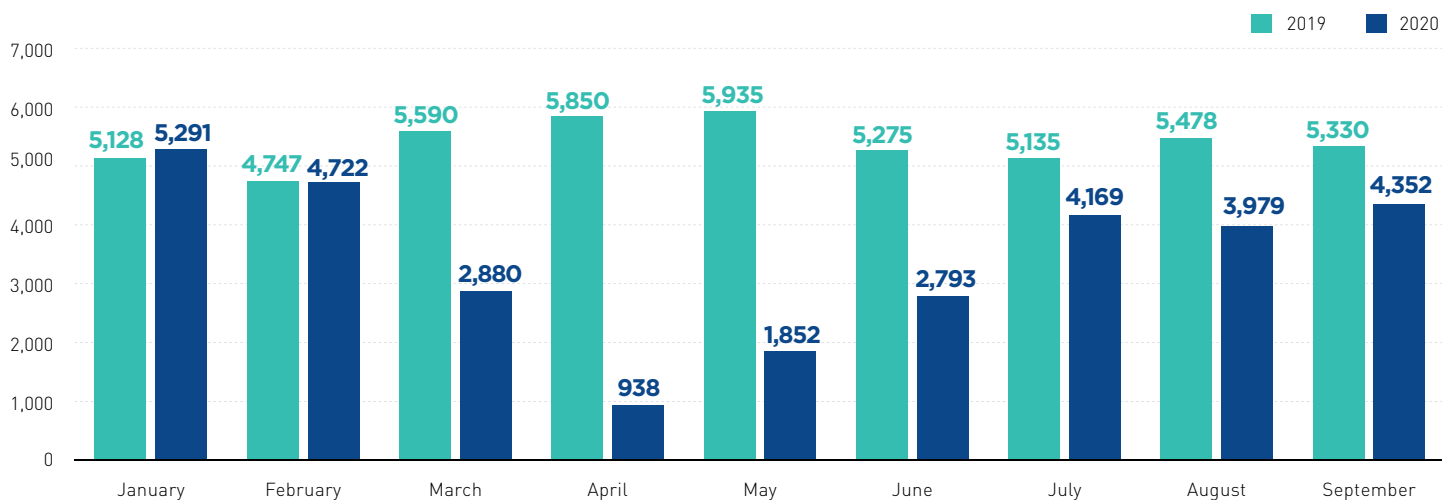
PERCENT OF WORKERS IN THE OFFICE

A mid-October CPDC survey of major downtown office occupying businesses, elicited responses from 38 firms who had 15,436 employees in Center City in February 2020: 39% report no workers in their offices; 37% have 10% at their desks; 8% have between 20% to 30% of staff at their desks; 16% have more than 50% in place. Looking forward, 13% expect to have the majority of their workers back by January; 42% are projecting spring 2021; 18% are planning to wait until summer 2021.

CONSTRUCTION

The Governor's order to suspend non-essential businesses 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's Department of Licenses and Inspections decreased by 39% between February and March and dropped an additional 67% between March and April. Since that time, however, permit activity has increased each month. September permits totaled 4,352, but were still 18% below 2019 levels.

TOTAL CONSTRUCTION PERMITS MONTH TO MONTH COMPARISON 2019-2020



Source: OpenDataPhilly, L&I Building and Zoning Permits

4: Newmark Knight Frank, Philadelphia Office Market, 3Q 2020.

5: Savillis [Philadelphia Sublease Outlook 2020 Q3](#)



CENTER CITY RETAIL AND RESTAURANTS

As of September, there were 3,606 storefront businesses in Center City, including 1,078 restaurants, 1,001 retailers and 1,100 service businesses. Among restaurants, 209 offered indoor seating along with other options, 606 provided outdoor seating, takeout, or delivery, 208 were temporarily closed, and 55 were closed permanently. Among retailers, 727 were fully open, 110 provided curbside pickup or services by appointment, and 164 were closed. Within the service category, 606 establishments were fully open, 320 were offering services by appointment, and 174 were closed.

City policies allowing outdoor dining and weekend street closures have been critical to assisting restaurants in reopening. Total outdoor seating within CCD increased from 2,997 in June to 5,152 in September and up to 9,500 Center City wide. For a full update on retail trends, see www.centercityphila.org/research-reports/restaurant-recovery-safe-outdoor-dining

RESTAURANTS

209	Fully Open - Indoor Seating
200	Partially Open - Outdoor Seating
400	Partially Open - Takeout or Delivery Only
263	Closed

Source: Center City District Survey



RETAIL/SERVICE

1,333	Fully Open
263	Partially Open - Appointment Only
167	Partially Open - Curbside Pickup, Appointment, or Other
338	Closed

Source: Center City District Survey

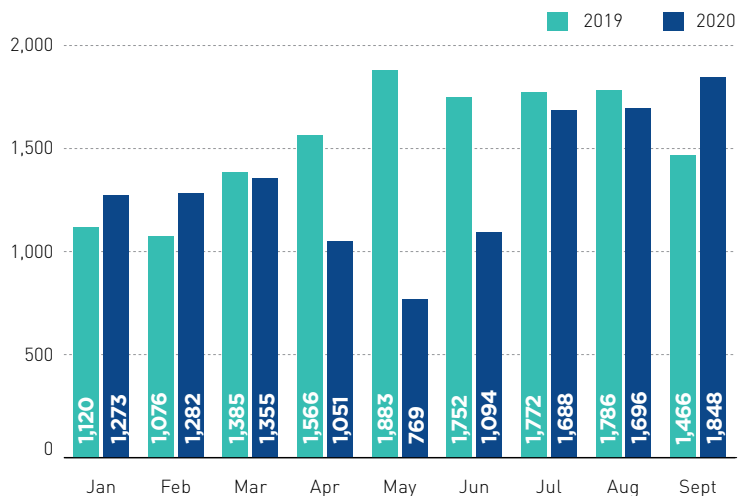


HOUSING MARKET

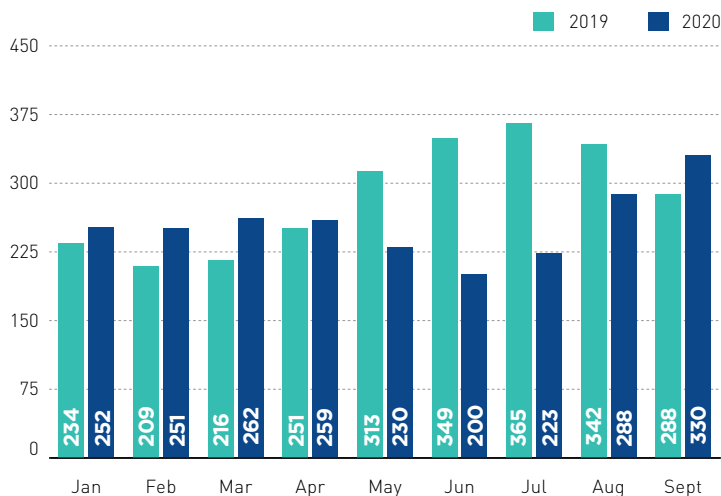
After declining in April and May, citywide residential sales have rebounded strongly, with total sales in September 26% above last year's level, according to Redfin. Within Greater Center City, residential sales are also increasing and as of September are higher than last year. Despite the pandemic, housing prices have increased somewhat from 2019 levels, with the median sale price consistently higher than the prior year throughout 2020. The median residential sale price in September was \$242,250, 21% above the 2019 level.

Nonetheless, the pandemic is resulting in serious economic hardship which is likely to impact the rental market. According to the most recent data (September 30 – October 12) from the Census Bureau's PULSE survey, 18.8% of reporting renters missed their payment for their last month's rent in the US, compared to 13.3% in Pennsylvania, and 23.2% in the Philadelphia metropolitan area. Among homeowners, 10.9% in the Philadelphia metropolitan area are behind on their mortgage payments compared to 4.4% in Pennsylvania and 9.7% for the US.

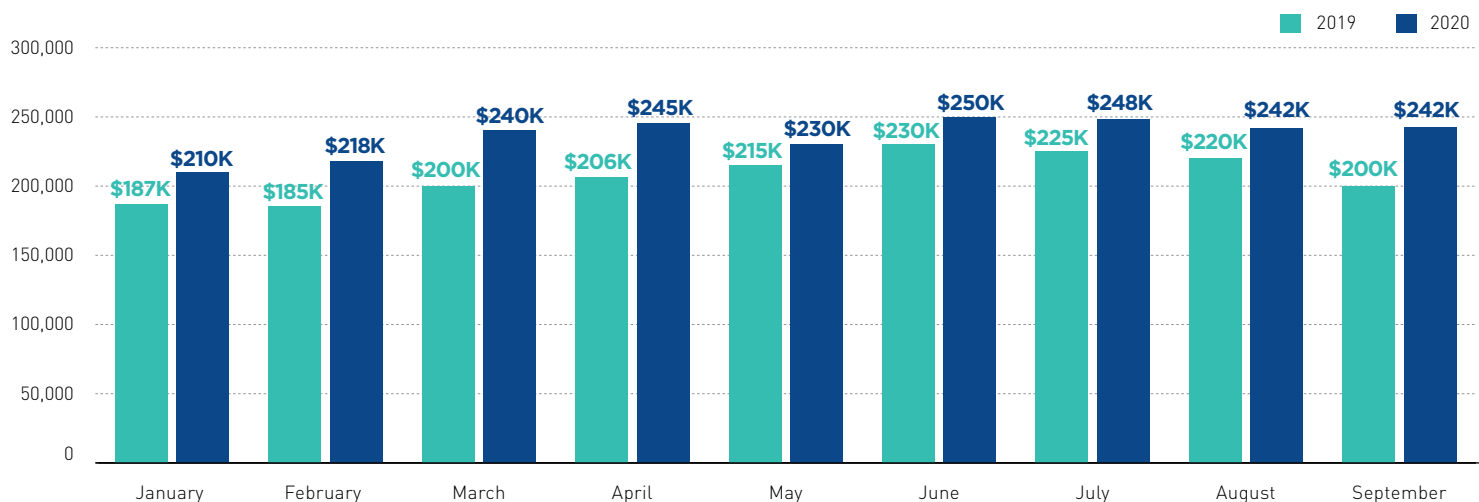
HOMES SOLD IN PHILADELPHIA



HOMES SOLD IN GREATER CENTER CITY (THREE MONTH MOVING AVERAGE)



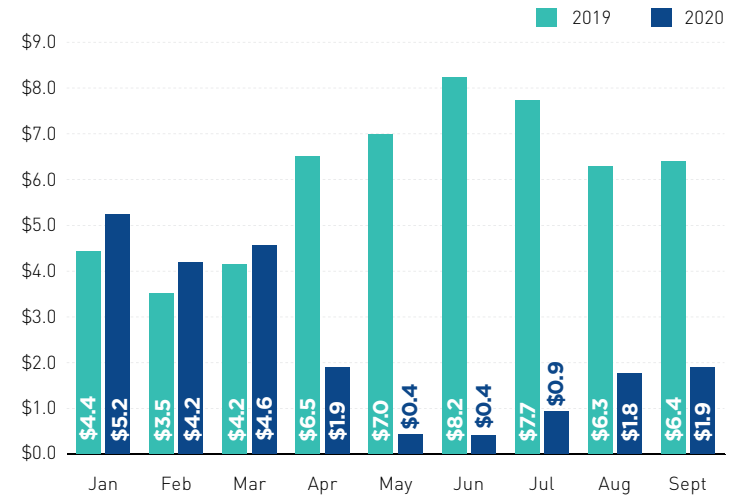
MONTHLY MEDIAN RESIDENTIAL SALE PRICE, PHILADELPHIA



CITY TAX REVENUES

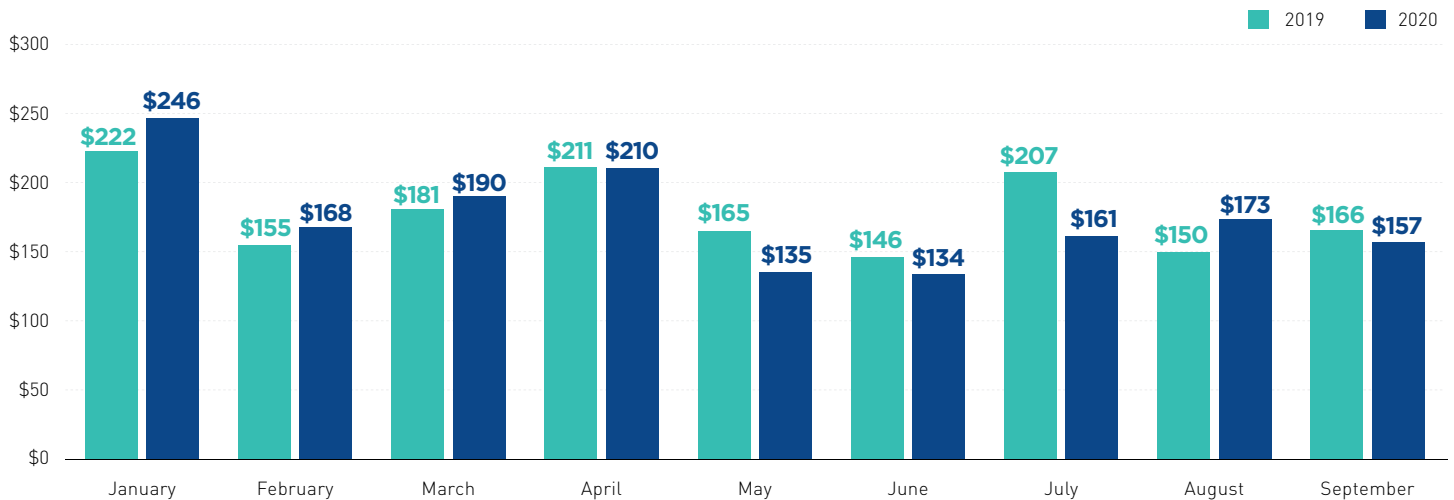
City wage tax collections in the second quarter of 2020 totaled \$479 million, a decline of 8% from the prior year. Third quarter collections were \$492 million, a 6% decline. Real estate transfer tax collections in the second quarter totaled \$42.5 million, a decline of 58% from last year, but rebounded to \$83.7 million in the third quarter, an increase of 2% from 2019. Hotel tax collections plummeted from \$4.6 million in March to \$400,000 in May but have since increased gradually, reaching \$1.9 million in September. Still, September collections were only 30% of the prior year level. Local sales tax collections have been below last year's level since March. Collections in September were \$22.4 million, 11.0% below 2019⁶

MONTHLY HOTEL TAX REVENUE (\$ IN MILLIONS)



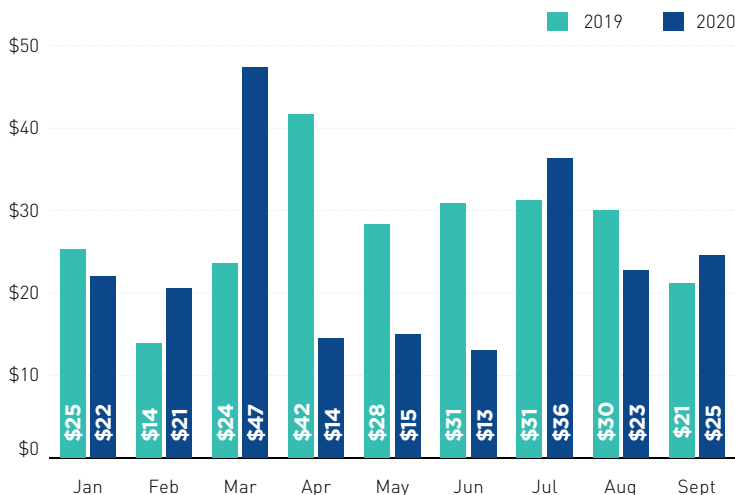
Source: City of Philadelphia Department of Revenue

MONTHLY WAGE AND EARNINGS TAX REVENUE (\$ IN MILLIONS)



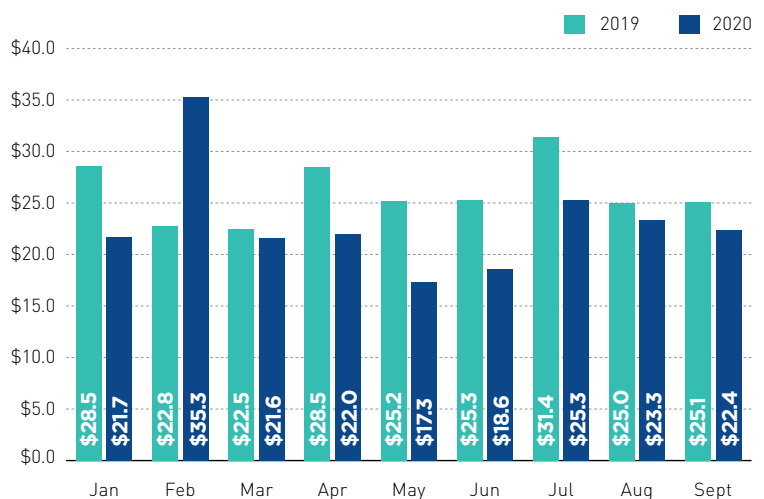
Source: City of Philadelphia Department of Revenue

MONTHLY REAL ESTATE TRANSFER TAX REVENUE (\$ IN MILLIONS)



Source: City of Philadelphia Department of Revenue

MONTHLY SALES TAX REVENUE (\$ IN MILLIONS)



Note: Amounts represent revenues from 2% local sales tax.

Source: Pennsylvania Department of Revenue

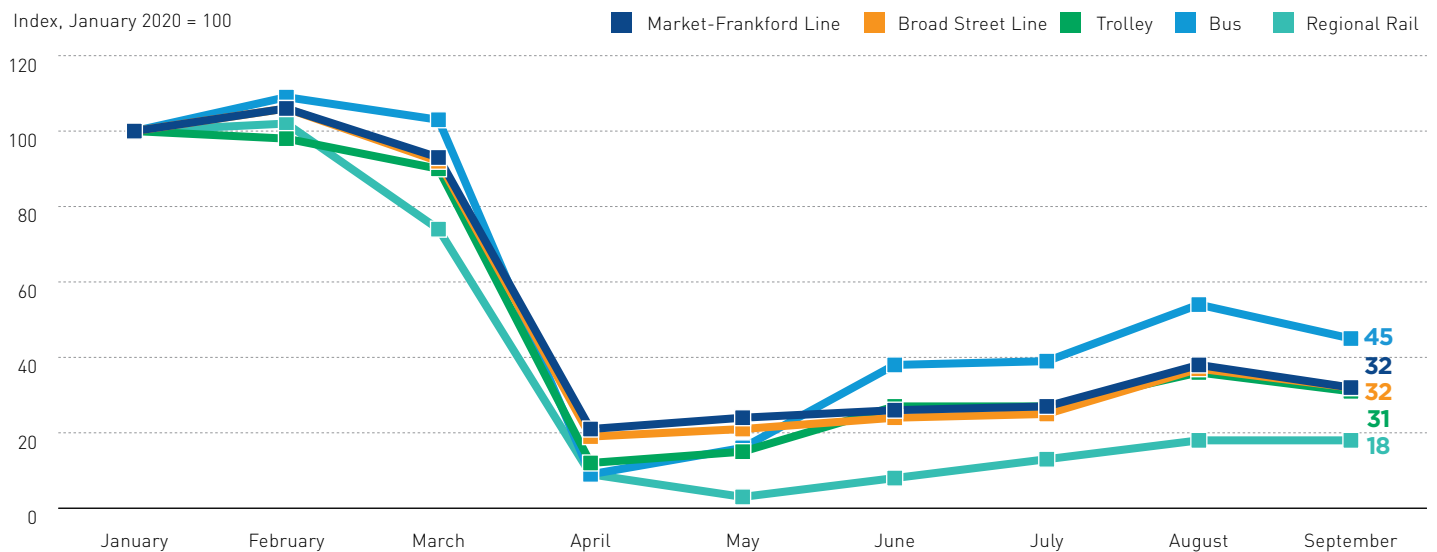
⁶: The 2% local sales tax is collected by the state and paid to the City. Figures shown exclude sales taxes on motor vehicle sales.

PUBLIC TRANSIT

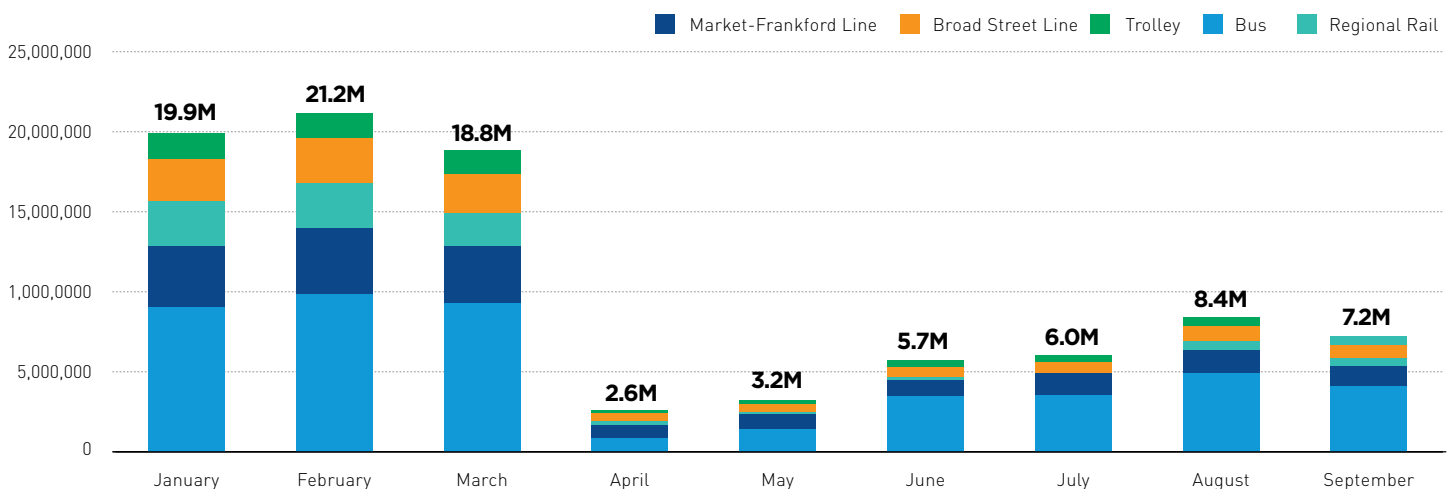
SEPTA ridership declined precipitously in March and April across all transit modes. From a low point of 2.6 million in April, ridership increased gradually through the spring and summer, reaching 8.4 million in August. Total ridership declined to 7.2 million in September, which SEPTA attributes to fewer trips by school-aged children who have not resumed in-person classes. September ridership on City Transit Division buses declined 16% from the prior month, while Broad Street Line and Market-Frankford Line riders declined 15%, trolleys declined 13%, and Regional Rail riders declined 1%. As of September, City Transit Division bus ridership had rebounded to 45% of the January level, while the Market-Frankford Line and Broad Street Line had reached 32%, trolleys were at 31%, and regional rail was at 18% of January ridership totals.

Since the spring SEPTA has added safety ambassadors who urge riders to wear masks and distribute them to those who do not have masks. In the most recent survey taken in October, 90.6% of passengers across all modes were wearing masks, 6.5% were wearing masks incorrectly, and just 3% were not wearing any mask at all before they were approached by a safety ambassador. The highest rate of compliance was on the regional rail lines where 99.2% were wearing masks correctly.

SEPTA RIDERSHIP BY MODE



SEPTA TOTAL RIDERSHIP BY MONTH SINCE JANUARY 2020



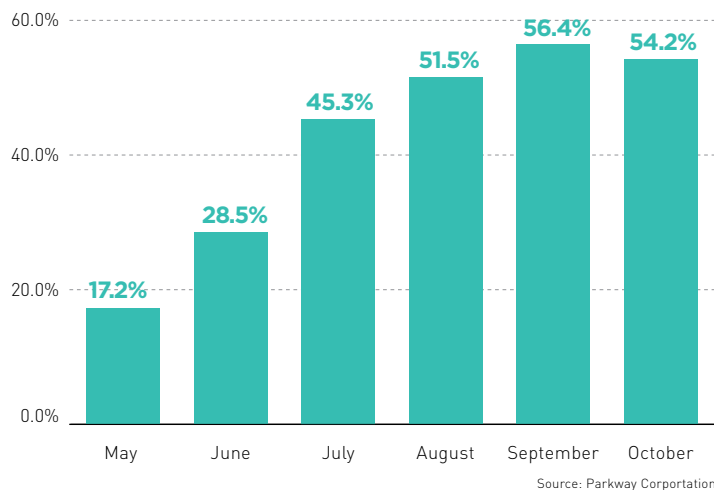
OFF-STREET PARKING

Parkway Corporation reports that across their multiple off-street garages, they are experiencing a slow recovery. In May 2020, parking volumes were at 17.2% of the same month in the prior year. Volume as a percentage of prior year levels increased to 56.4% in September, and declined to 54.2% in October.

BIKE SHARE USAGE

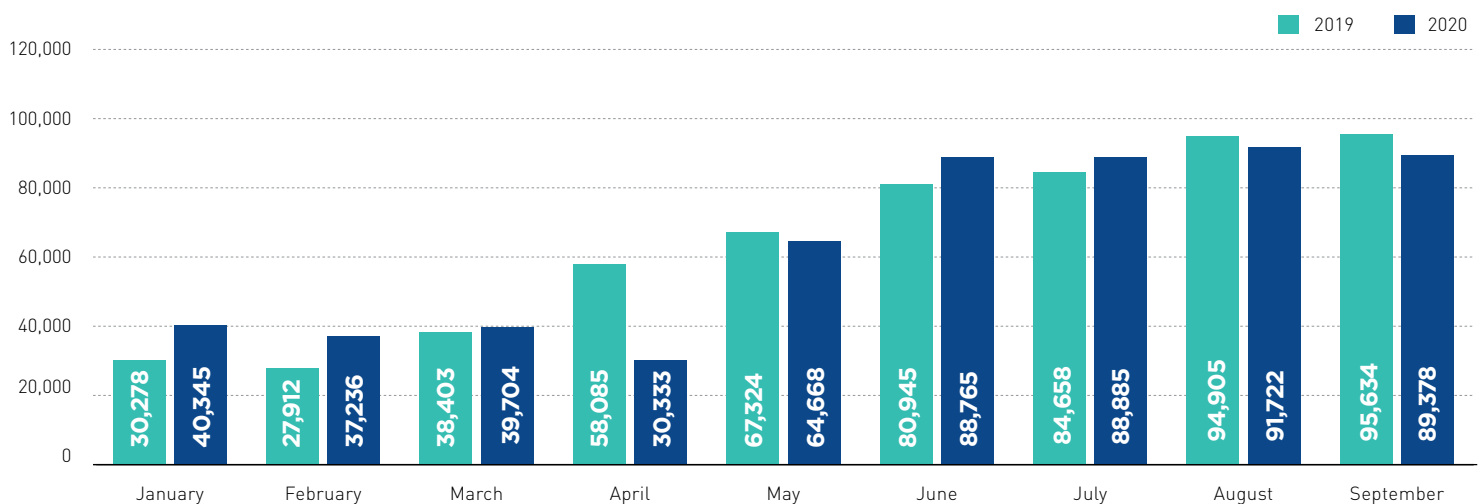
Philadelphia's bike share system, Indego, has over 500 bikes and 60 docking stations. Ridership in the first quarter of 2020 was relatively stable (around 40,000 trips per month), and after a decline in April has increased dramatically to 91,722 in August. Total trips in September declined slightly to 89,378.

PARKING VOLUMES AS A PERCENT OF 2019



SEPTA ridership has increased from **2.6 million in April** to **7.2 million in September**

MONTHLY BIKE SHARE TRIPS

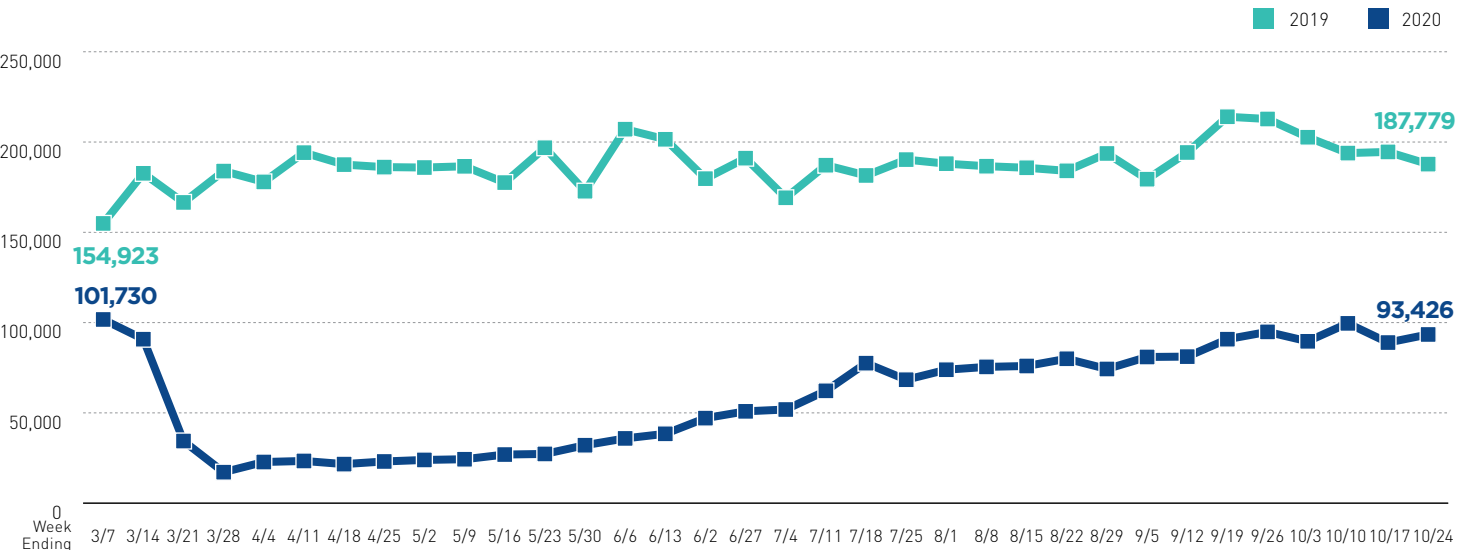


PEDESTRIAN COUNTS

For more than a decade, CCD has managed 20 pedestrian counters, placed on prime retail streets and in the office district. With nonessential office, retail, and service workers urged to stay at home, pedestrian volumes dropped dramatically at the beginning of spring. The total number of pedestrians passing all twenty locations dropped from a 24-hour, daily average of 101,730 in the week ending March 7 to 17,161 in the week ended March 28. Since that time,

pedestrian activity has increased gradually, reaching 93,426 in the week ending October 24, 50% of the prior year level. However, volumes on West Market Street and JFK Boulevard in the office district are at 30% of last year, although they have increased slightly in the past month.

AVERAGE DAILY PEDESTRIANS IN CENTER CITY



Source: Center City District

PHILADELPHIA MONTHLY ECONOMIC INDICATORS SUMMARY

	AUGUST	SEPTEMBER	PERCENT CHANGE
Payroll Employment	687,500	693,900	1%
Average Weekly Initial Unemployment Claims	2,638	2,132	-19%
Construction Permits	3,979	4,352	9%
Homes Sold (Citywide)	1,696	1,848	9%
Homes Sold (Greater Center City)	288	330	15%
Local Real Estate Transfer Tax Revenue	\$22,762,727	\$24,561,901	8%
Local Sales Tax Revenue	\$23,327,211	\$22,368,649	-4%
SEPTA Ridership	8,427,733	7,182,006	-15%