



MATT STANLEY

Spring 2021

CENTER CITY REPORTS | FEBRUARY 2021

Ready for the Return of Customers

CENTER CITY RESTAURANTS & RETAIL

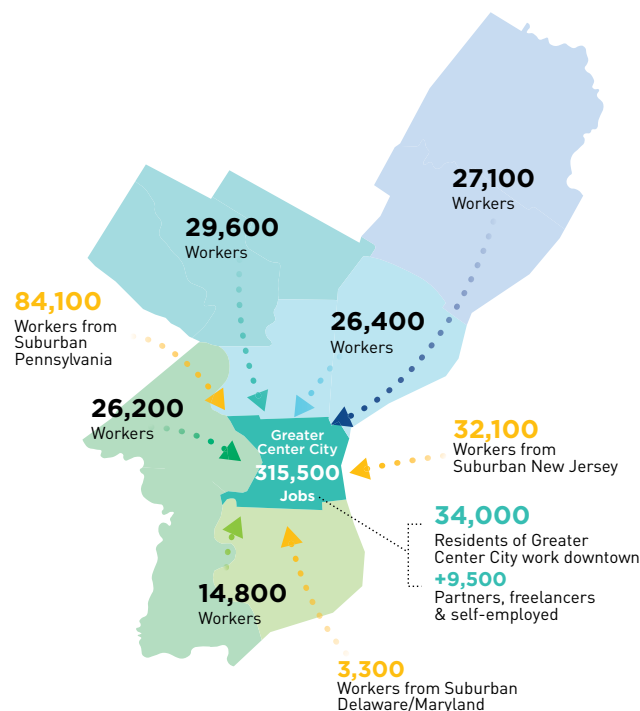
INTRODUCTION:

The pandemic and stay-at-home directives from the City and State significantly reduced the numbers of people who come into Center City Philadelphia each day for work, school, medical appointments, leisure and entertainment. Most downtown residents remained. However, the absence of others significantly eroded the customer base for the 2,000 retail, restaurant and service businesses that occupy the ground floor of commercial and residential buildings and the indoor shopping centers within the Center City District.¹

At the center of the region's highway and transit system, Center City is the most concentrated employment node in the region, hosting 42% of Philadelphia's jobs, creating opportunity for residents of all city neighborhoods and surrounding counties (Figure 1). Center City's 315,000 workers, 86,000 households and 3.5 million overnight visitors concentrated between 400,000 and 500,000 people downtown each day, generating \$2.8 billion in retail, food and beverage demand in 2019.

With office workers and non-essential health-care professionals working from home, schools, colleges, theaters and cultural institutions closed, hotels emptied of guests, transit ridership, vehicular traffic and pedestrian volumes temporarily plummeted between March and April. Throughout 2020, foot traffic continued to fluctuate at below-normal levels, depending on the severity of restrictions imposed on business.

FIGURE 1: NUMBER OF NEIGHBORHOOD AND REGIONAL RESIDENTS WHO WORK DOWNTOWN



Source: U.S. Census Bureau, Local Employment-Household Dynamics 2017, updated by CCD from Bureau of Labor Statistics, Current Employment Statistics 2019;

1: Shops at Liberty Place, the Fashion District, Reading Terminal Market and the Lits Building.

THE LOSS OF CUSTOMERS:

From a high point of 21.2 million passengers on SEPTA in February 2020, ridership declined sharply to 2.6 million in April, rebounding slowly to reach only 6.6 million in December 2020, still 69% below February 2020 levels (Figure 2).

Parkway Corporation reports that across their multiple off-street garages, downtown parking volumes in December 2020 were just 35% of pre-pandemic levels.

Cumulative pedestrian volumes passing the 20 digital counters CCD manages along key retail corridors and in the primary office district initially dropped 88% from 2019 levels after the stay-at-home order in March 2020. Combined daily pedestrian counts at these sample locations then rose from a low of 17,161 in March to 99,574 in October with the expansion of outdoor dining, but tapered off at year-end (Figure 3). Data from Placer.ai, which samples anonymized cell-phone data, suggests that the volume of *downtown resident pedestrians* actually increased slightly during the summer and fall of 2020, with the lion's share of decline accounted for by fewer workers, tourists and non-resident shoppers. In January 2021, the number of workers walking on downtown sidewalks was 76% below January 2020 levels, while *tourists and non-resident shoppers* were down 58%. As the City allowed an increase for indoor dining and permitted arts and cultural institutions partially to reopen, the number of non-residents increased. End of the year volumes were still 55% below January 2020 levels. (Figure 4).

The absence of office workers, who account for 40.6% of downtown employees, is evident in Figures 5 and 6, which highlight differences in volumes on West Chestnut, West Walnut and East Market and those on West Market and JFK Boulevard. Pedestrian totals for the office district since April have hovered around 30% of 2019 volumes, while shopping streets closest to residential neighborhoods have achieved 50% to 60% of 2019 levels.

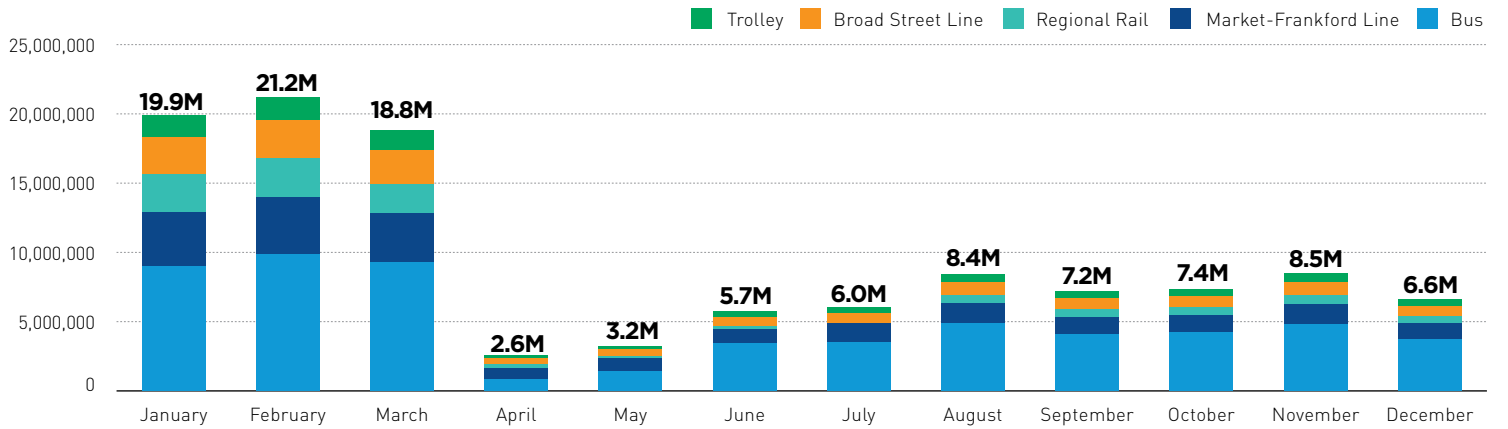
All of these factors temporarily plunged Center City back to conditions that showed similarities to 1991, when Philadelphia was still reeling from the loss of 250,000 jobs and 500,000 residents in the prior two decades. What remained then were boarded up buildings covered with graffiti — circumstances that prompted the launch of the CCD in March 1991. Indeed, the combined impact of the pandemic and stay-at-home order produced a net loss of 68,100 jobs (9%) in Philadelphia between February and December 2020 with the biggest declines in *accommodation and food services*, a loss of 28,000 jobs, 46% of employment in these sectors citywide.

There are huge differences, however, between 1991 and 2021: a dramatic increase in downtown residents in the last 30 years has provided a lifeline for most retail premises. Unlike the 9-to-5 office district of 1991, Center City has dramatically diversified into a mixed-use, 24-hour downtown, possessing all the components required for revival. As successful vaccine distribution raises inoculation levels to 30%, 50% and 70%, downtown workers will return, the convention center and theaters will reopen and hotels will fill with guests. So too, as college students return and as restaurants, arts, and cultural institutions are allowed normal levels of activity, retail and restaurant demand will rebound.

KEY FINDINGS

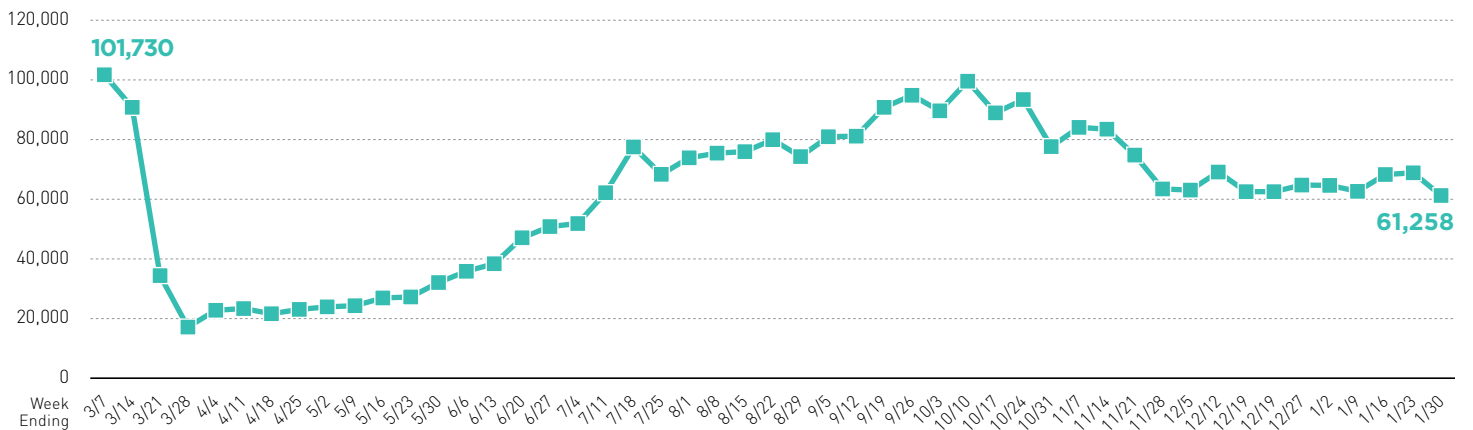
- 1 Philadelphia retailers and restaurants have shown extraordinary creativity and resilience during a time of unprecedented economic uncertainty, preserving jobs while serving residents and essential workers.
- 2 Downtown residents, numbering 67,000 in the core and another 128,000 in surrounding neighborhoods, have sustained retail and restaurant demand.
- 3 Despite the rise of ecommerce, Philadelphia's retail employment at the end of the year is higher than in January 2020, mostly due to the rise of employment in big box retail and grocery stores.
- 4 The City's support for closing streets to accommodate outdoor seating has been a lifeline for restaurants and reassuring sign of enduring vitality for city dwellers and visitors.
- 5 The number of boarded up premises within the District declined from 276 in June 2020 to 78 in January 2021 (including 33 that were closed prior to the pandemic). This represents just 4% of downtown storefronts.
- 6 The largest number of businesses that closed between September 2020 and January 2021 were restaurants without covered outdoor seating that decided to conserve resources; 76% of these expect to reopen when restrictions are lifted and customers return; 58% of closed retailers expect to reopen. Overall, in 2020, 35 new retailers opened in Center City. They join four major residential towers, two office buildings and one medical building now under construction in Center City, clear signs of confidence in downtown.

FIGURE 2: SEPTA TOTAL RIDERSHIP BY MONTH, 2020



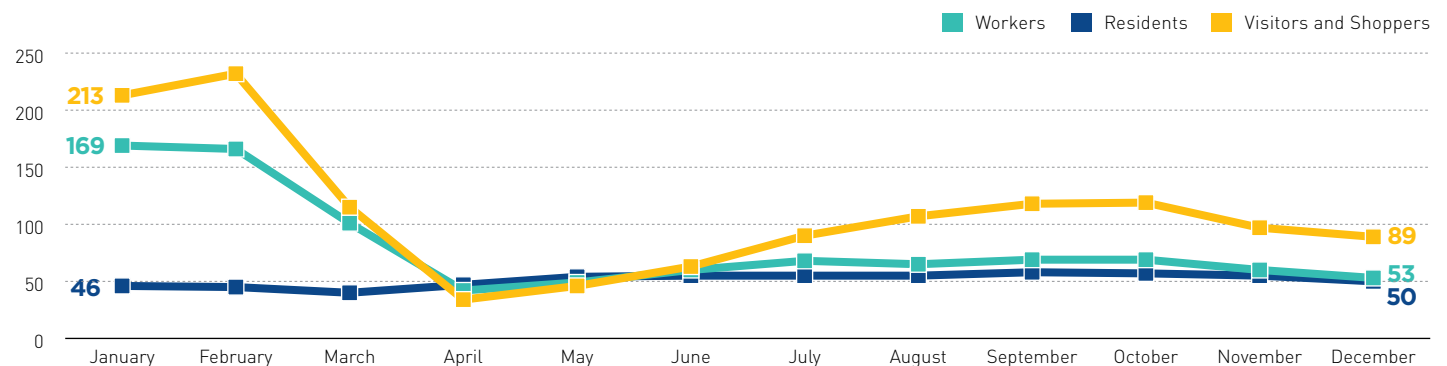
Source: SEPTA

FIGURE 3: AVERAGE DAILY PEDESTRIANS IN CENTER CITY



Source: Center City District

FIGURE 4: AVERAGE DAILY CENTER CITY PEDESTRIANS: RESIDENTS, WORKERS, AND OTHER VISITORS, (IN THOUSANDS)



Source: Placer.ai

FIGURE 5: AVERAGE DAILY PEDESTRIAN VOLUME BY WEEKDAY/WEEKEND

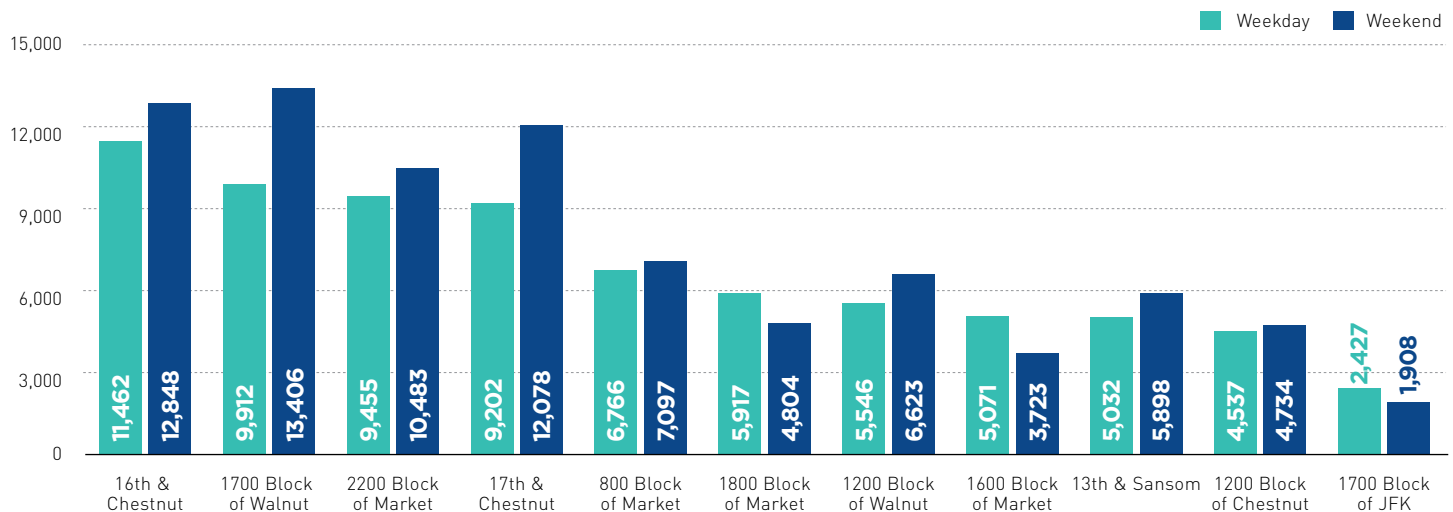


FIGURE 6: AVERAGE HOURLY PEDESTRIAN VOLUME, Q4 2020

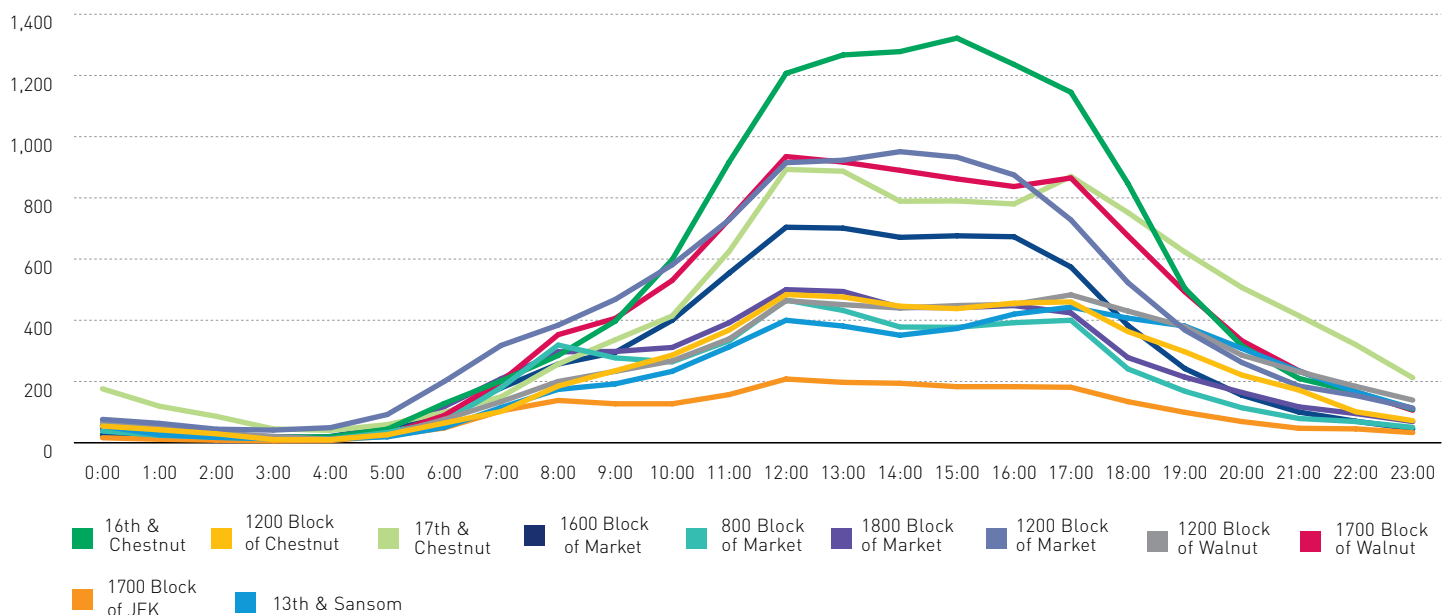
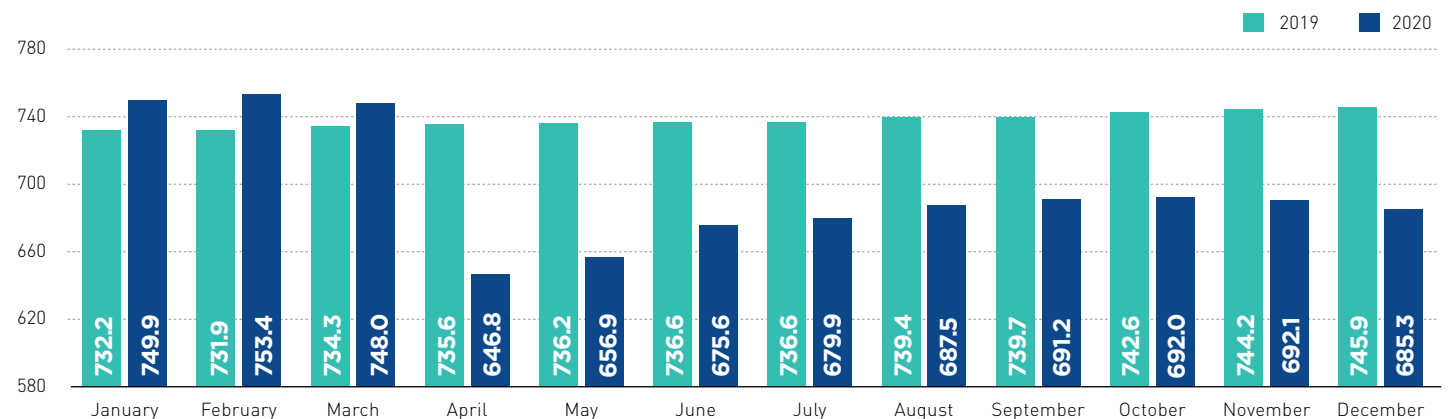


FIGURE 7: PHILADELPHIA TOTAL EMPLOYMENT BY MONTH, 2019 VS. 2020 (IN THOUSANDS)



Source: Bureau of Labor Statistics, Current Employment Statistics, seasonally adjusted



RETAIL AND RESTAURANT CONDITIONS PRIOR TO RECOVERY:

Unlike traditional recessions, which affect some places and sectors more than others, the pandemic produced a near-global shutdown. While many professional and technology businesses could shift to remote work and/or ecommerce, others that depend on face-to-face interaction and the presentation of unique experiences, or those lacking sufficient digital infrastructure, were seriously hobbled. Global retailers and domestic department stores declared bankruptcy. National closures in 2020 that affected Philadelphia include Gap, Aldo, Loft, Century21 and Lucky Brand.

The significant challenge for retailers and restaurants in Center City, and other central business districts across the country, is that they are enduring the combined impact of global trends, the consequences of social disorder and vandalism, and the *mandated withdrawal* of a large portion of their daily customer base. As inoculation rates rise, mandated closures will end and restrictions will be relaxed.

However, full recovery will not happen on its own. It requires committed business, civic and public leadership to reactivate safely the prime drivers of vitality and to champion the restoration of jobs and opportunity downtown.² While disruptive and tragic events always shake confidence, developers in the downtown core are proceeding with four major residential high-rises, two office buildings and one significant medical facility. In addition, new developments have been announced. Contrary to fears of urban flight, both the volume of transactions and sale prices rose in 2020 for homes in Center City and the city as a whole. The prospect for another federal relief package has also prompted predictions for a strong economic recovery by the end of 2021.

The statistics that follow are challenging. However, they describe conditions just before the start of mass vaccinations, the restoration of confidence and the return of the diverse range of customers who support downtown retailers and restaurants.

Philadelphia retailers and restaurants have shown extraordinary creativity and resilience during a time of unprecedented economic uncertainty, preserving jobs while serving residents and essential workers.

² See the presentations by Jerry Sweeney, Leslie Richards and Paul R. Levy at the February 9, 2020 forum, *Moving the Region Forward Together* <https://bit.ly/3rOovSa>

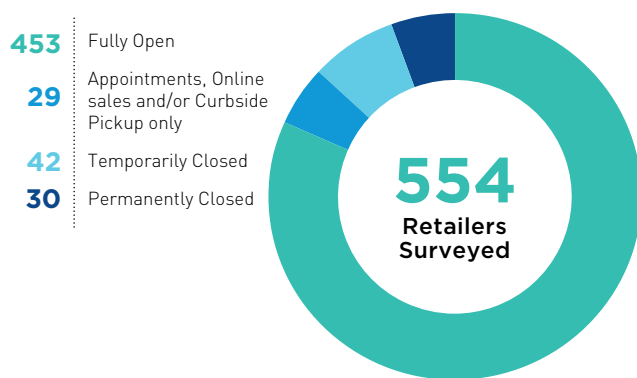
SURVEY FINDINGS:

To track trends during the pandemic, CCD staff conducted on-street surveys of the District, as well as broader areas of Center City, on three occasions: June 2020, September 2020 and January 2021. Surveyors noted the type of business, whether it was open or closed, if windows were boarded up, and if there was outdoor seating.³

In January 2021, CCD staff visually surveyed 1,927 ground-floor retail and restaurant premises within the Center City District boundaries, including those inside the Fashion District, Shops at Liberty Place, Reading Terminal Market, and Lits Building which were not included in the June or November surveys (see the Appendix).

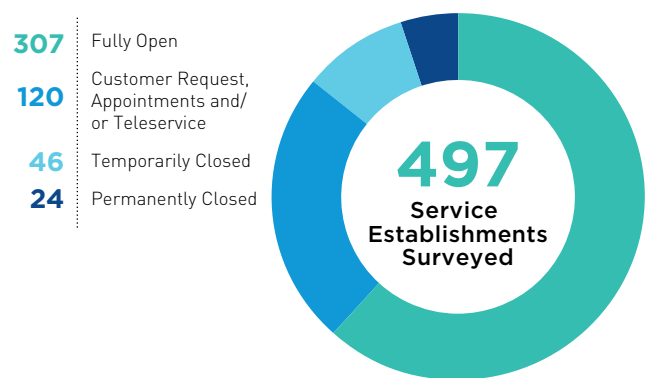
Restaurants and food establishments accounted for 628 (32.6%) of the premises, retailers numbered 554 (28.7%) and service establishments (banks, gyms, salons, laundry services, first and second floor medical and legal offices) accounted for 497 (25.8%). Of the 1,927 premises, 248 were vacant (12.9%) and listed with brokers, 102 (5.3%) were closed with no sign of leasing activity and 238 (12.4%) were temporarily closed, with information about reopening either posted on the storefront or online. Based on these sources, 76% of restaurants that were closed expect to reopen and 58% of closed retailers expect to reopen.

FIGURE 8: CENTER CITY DISTRICT RETAILER STATUS



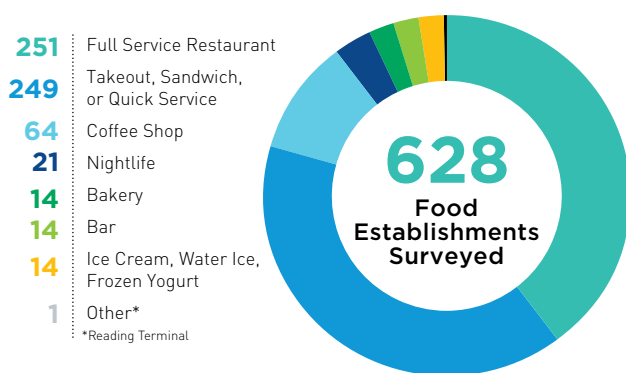
Source: Center City District Survey

FIGURE 9: CENTER CITY DISTRICT SERVICE ESTABLISHMENT STATUS



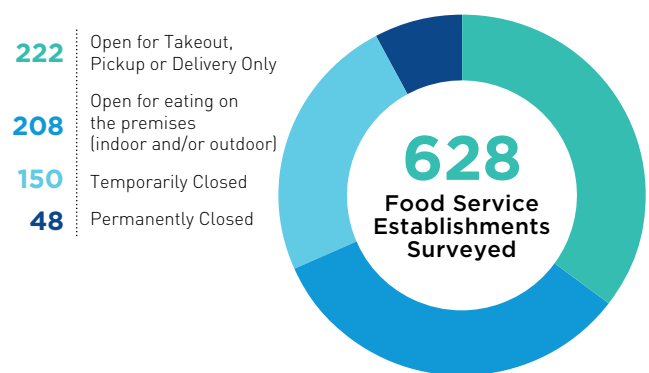
Source: Center City District Survey

FIGURE 10: CENTER CITY DISTRICT FOOD SERVICE ESTABLISHMENTS, JANUARY 2021



Source: Center City District Survey

FIGURE 11: CENTER CITY DISTRICT FOOD SERVICE ESTABLISHMENT STATUS



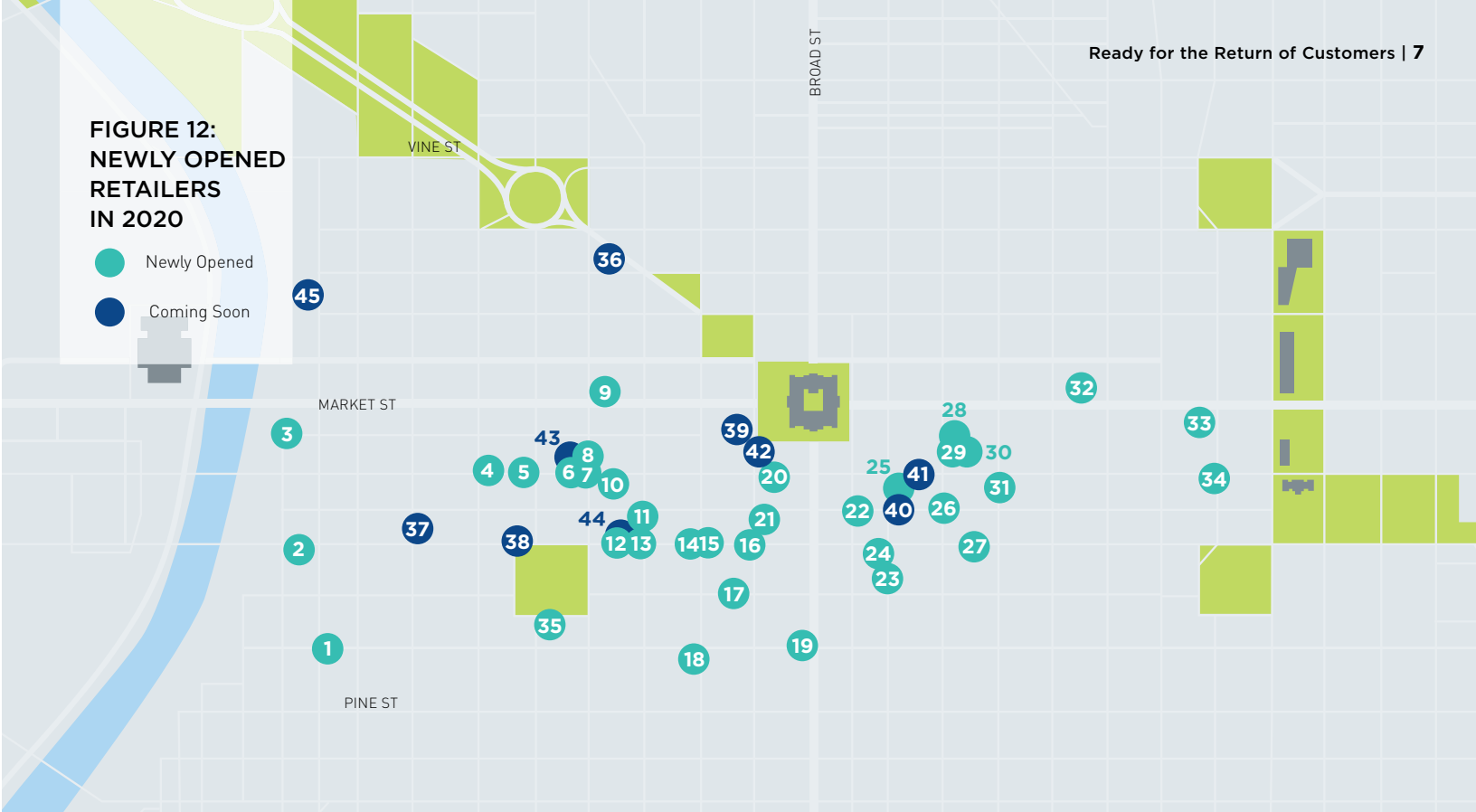
Source: Center City District Survey

³ During these months, there have been two gradual, City-authorized reopenings, a second health-mandated shutdown in November, several days of citywide social protest and vandalism and widespread – but fortunately unfounded – fears of more disruption around the November presidential election. Boards on windows have gone up and down to cover or guard against damage. Indoor restaurant seating has moved from 0% to 25%, back to 0%, then to 25% percent with conditional possibility of now achieving 50%. As the weather has turned cold, many restaurants have elected to install heated outdoor seating; others have shifted to take-out only.

This has been a tumultuous time. It is not always easy to distinguish between businesses boarded up but operating and those that are closed; businesses that are boarded up, but plan to reopen when customers return; properties that are boarded up with renovation occurring inside; properties that brokers are actively marketing and properties for which owners have put leasing on hold. Additionally, surveyors sought to distinguish between businesses that closed and those that are fully open to customers, or partially open – such as restaurants providing only takeout or outdoor seating; retailers offering curbside pickup or open only by appointment; service establishments open only by appointment or providing online services. While CCD's surveyors relied on direct observation and on conversations with owners and brokers, they could not get definitive information about every property's status.

**FIGURE 12:
NEWLY OPENED
RETAILERS
IN 2020**

- Newly Opened
- Coming Soon



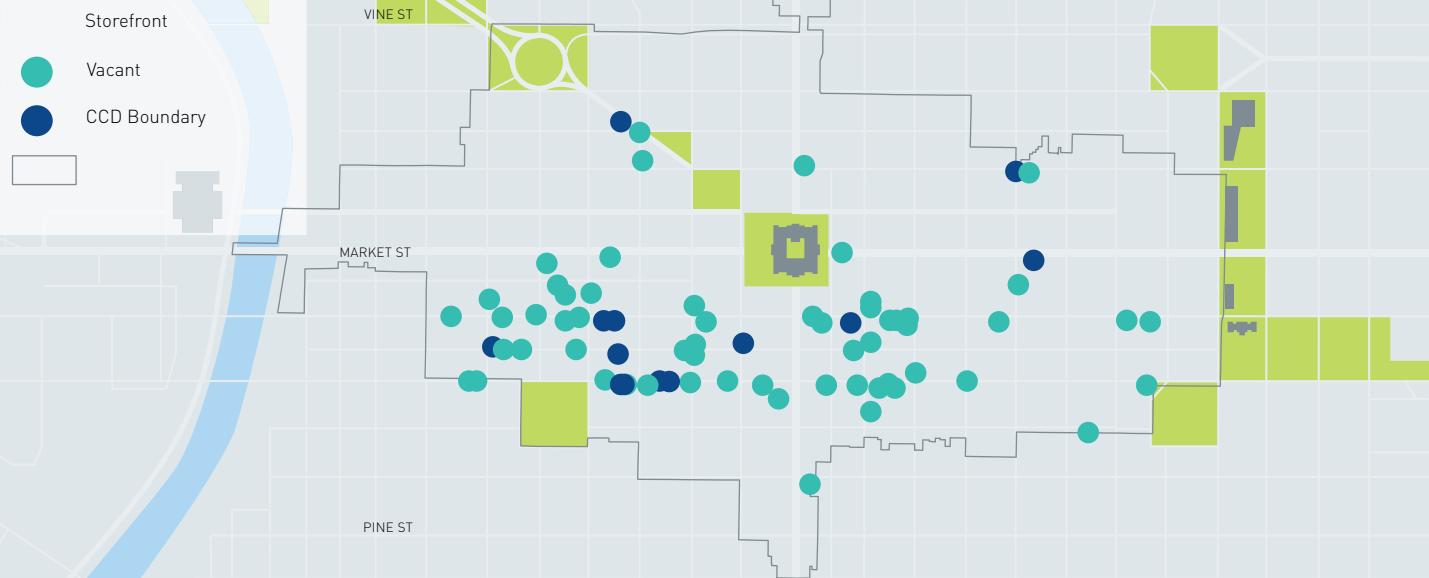
NEWLY OPENED IN 2020 (35)

- | | | |
|--|--|---|
| 1. Sally, 2220 Spruce St | 13. Allbirds, 1709 Walnut St | 24. Dim Sum Factory, 1304 Walnut St |
| 2. Lost Bread Co., 2218 Walnut St | 14. Interior Define, 1605 Walnut St | 25. Super Spartan, 105 S 13th St |
| 3. The Garden, 24 S 24th St | 15. Govberg Jewelers, 1529 Walnut St | 26. Sueno, 114 S 12th St |
| 4. Anchor Light, 1935 Chestnut St | 16. Sola Salon Studios, 1503 Walnut St | 27. Remi Ricotta, 1121 Walnut St |
| 5. The Goat, 1907 Chestnut St | 17. Hunnie's Crispy Chicken, 233 S Sydenham St | 28. Schmear It, 19 S 12th St |
| 6. Kevin O'Brien Studio, 1811 Chestnut St | 18. Evil Genius Brewing, 1602 Spruce St | 29. Federal Donuts, 21 S 12th St |
| 7. Playa Bowls, 1804 Chestnut St | 19. Steak 48, 260 S Broad St | 30. The Wayward, 1170 Ludlow St |
| 8. Huda, 32 S 18th St | 20. Dolce, 1439 Chestnut St | 31. Morea, 110 S 11th St |
| 9. Pizza in Style, 1735 Market St | 21. The Original Hotdog Factory, 125 S 15th St | 32. Kate Spade New York Outlet, 901 Market |
| 10. Ancient Spirits & Grille, 1726 Chestnut St | 22. Blind Barber, 1325 Sansom St | 33. American Heritage Federal Credit Union, 714 Market St |
| 11. Greens and Grains, 1700 Sansom St | 23. Cockatoo, 208 S 13th St | 34. Pizza Fresca, 707 Chestnut St |
| 12. Tiffany & Co, 1715 Walnut St | | 35. Flowers & Co, 267 S 19th St |

COMING SOON (10)

- | | | |
|--|--|---------------------------------|
| 36. Alchemy Coffee, 119 S 21st St | 40. Van Leeuwen Ice Cream, 119 S 13th St | 44. Dr. Martens, 1704 Walnut St |
| 37. Equinox, 1911 Walnut St | 41. Sunnyside, 1221 Chestnut St | 45. GIANT, 60 N. 23rd Street. |
| 38. Victory Brewing Co., 1776 Benjamin Franklin Pkwy | 42. Dolce, 1439 Chestnut St | |
| 39. OceanFirst Bank, 1500 Market St | 43. Removery, 1800 Chestnut St, 2nd Fl | |

FIGURE 13: BOARDED UP PROPERTIES IN CENTER CITY, JANUARY 2021



Boarded up storefronts declined from 276 in June to 88 in October and to 78 in January (including 33 that were boarded up prior to the pandemic).

From the pedestrian perspective, one can get the impression that almost one-third of retail premises are closed, even though many are open by appointment or for takeout. But some are rebuilding from vandalism, while others are in the challenging chicken-and-egg conundrum of being unwilling to incur the costs of reopening until more customers return.

The largest increase in shuttered businesses between September and January occurred in the restaurant sector with 198 closures, as many of those without covered outdoor seating decided to conserve resources. During that same time, 13 boarded retail premises reopened or new tenants moved in. Overall, in 2020, 35 new retailers opened in Center City, a clear sign of confidence in downtown. Finally, in the last quarter of 2020, 22 service establishments also reopened (Figure 13).

On the horizon in 2021, projected new openings include Victory Brewing, Brooklyn's Van Leeuwen Ice Cream and Chicago's Sunny-side. On West Walnut Street, Govberg Jewelers and Wells Fargo will be relocating to new addresses at 1521 Walnut Street and 1632 Walnut Street, respectively. Furthermore, Dr. Martens will be opening their new location at 1704 Walnut Street, next door to their former site, and Le Pain Quotidien extended their lease. Overall, brokers report many new prospects actively seeking locations in Center City.

Counting boarded up storefronts is the simplest way to measure progress. They declined from 276 in June to 88 in October and to 78 in January (including 33 that were boarded prior to the pandemic). While a troubling appearance, boarded premises constitute just 4% of all storefronts in Center City. They are also concentrated where the most vandalism occurred. Stop and listen outside many and you will hear construction going on inside.

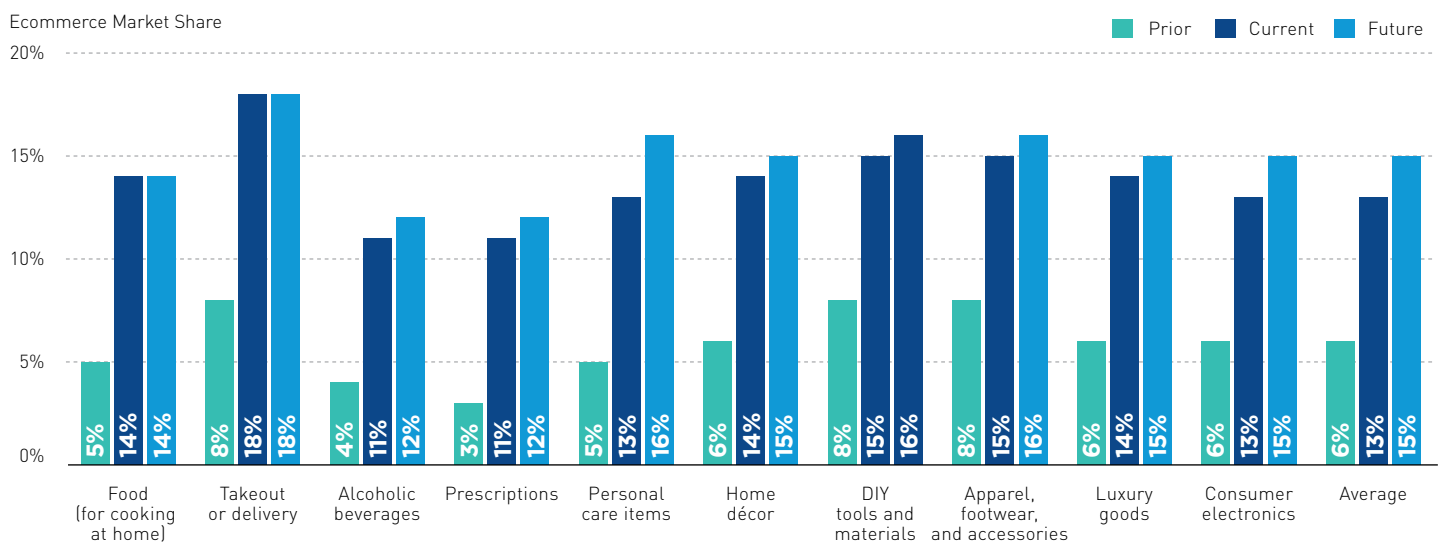
CHALLENGES AND PROSPECTS FOR RETAIL RECOVERY:

The pandemic accelerated the long-term trend toward ecommerce. Between 2000 and 2019, ecommerce steadily expanded market share. Just prior to the pandemic, 11.2% of national retail sales took place online. With mandated closings in 2020, ecommerce soared by 43%, rising to 16.1% of all sales during the second quarter of 2020 before dipping to 14.3% in the third. Retail giants such as Amazon, Walmart, and Instacart continue to attract buyers with low prices and convenient home delivery, creating challenges for local retailers. Nevertheless, brick and mortar retailers both large and small are staying relevant to their customers by integrating ecommerce into consumer options. Even local proprietors that sell food, like

Metropolitan Bakery, DiBruno Brothers and Reading Terminal Market, have successfully integrated ecommerce into their business model. Finally, when children return to school and employees return to the workplace, it will make less sense to let deliveries sit on doorsteps all day.

With more than 85% of sales still taking place in physical stores, Center City remains most competitive with its unique mix of local and regional owner-proprietors. They make up 70% of downtown tenants and can capitalize on their proximity to both well-known national chains and an unparalleled array of restaurants, arts, and cultural institutions. Quality merchandising and customer service, and the ability to offer an unmatched experience, all remain hallmarks of successful urban retail.

FIGURE 14: 2020 SHIFTS TO ECOMMERCE TRENDS

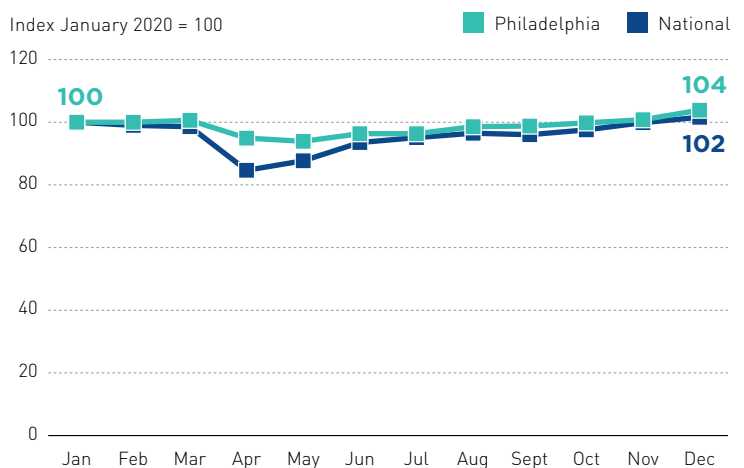


Source: Accenture COVID-19 Consumer Research, conducted April 17-27 2020

FIGURE 15: CENTER CITY RETAIL MIX, JANUARY 2020



FIGURE 16: MONTHLY RETAIL TRADE EMPLOYMENT, 2020



Source: Bureau of Labor Statistics, Current Employment Statistics, seasonally adjusted

Citywide, retail employment rebounded by July 2020 nearly to pre-pandemic levels (Figure 16). However, this occurred as demand shifted away from walkable retail in the core of downtown to driveable, big box stores along highways and major traffic arteries. As rates of inoculation climb and restrictions are lifted, demand will be redirected to downtown.

In 2019, prior to the pandemic, JLL ranked East Market and West Walnut Streets among the top 10 of 33 most visited retail corridors in North America. At the same time, their rents made them very affordable locations for retailers seeking new opportunities.⁴

RESTAURANT RECOVERY:

Nearly a year after the first stay-at-home order, restaurants are now permitted to open at 25-50% capacity for indoor dining, depending on ventilation systems. However, restaurants have had to deal with several waves of changing restrictions and diminished demand due to changes in customer behavior. Employment in food and drinking establishments in January 2021 was 46% lower than January 2020 (Figure 17).

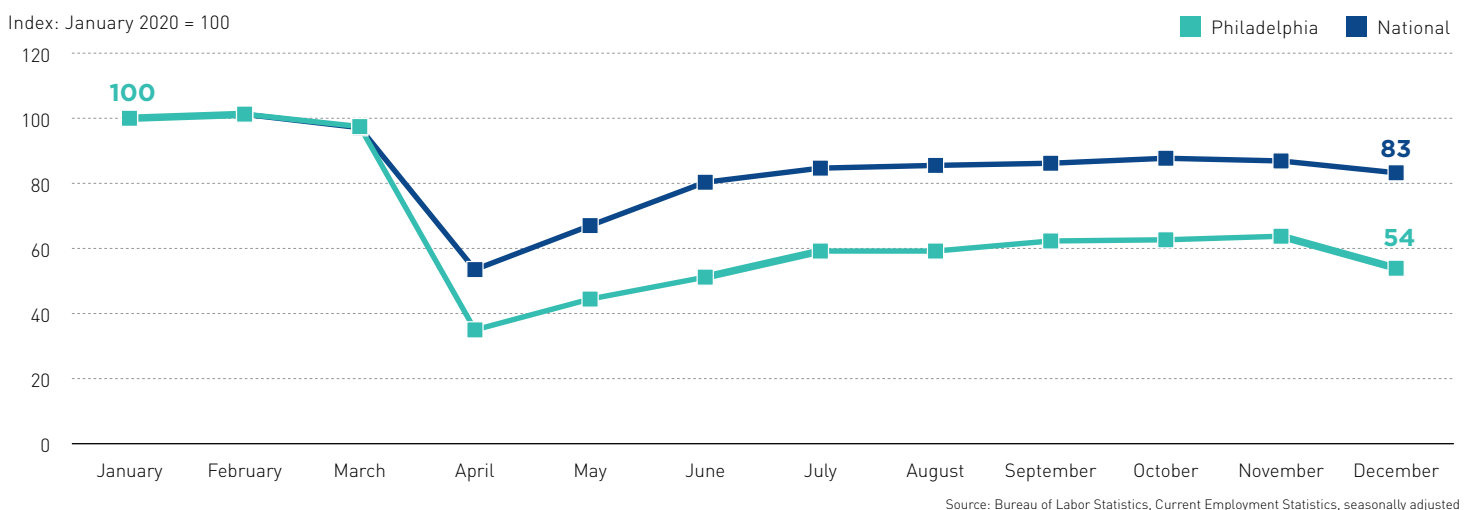
Outdoor seating has been the survival strategy. While Center City restaurants have been able to deploy sidewalk seating since the late 1990s, most recently the Department of Commerce and the Office of Transportation and Infrastructure not only worked to allow sidewalk seating citywide, they also expedited the approval of temporary street closures to replace indoor seating with socially distanced chairs and tables in roadways. Within the District, these closures have continued since the summer on South 13th Street, South 18th Street and on the 1500 block of Sansom Street. CCD has conducted four surveys of outdoor seating and with the exception of June and December 2020, all were conducted when restaurants also had the option of indoor seating at 25% of normal capacity. Outdoor seating within the District increased from 2,997 seats in June to 5,152 seats in September.

During a mild December when indoor seating was still prohibited, outdoor seating declined moderately to 4,699. But with the onset of cold weather and the return of indoor seating at 25%, outdoor seats dropped to 3,716 in January, when they now depended on expensive, heated, temporary structures in parking lanes (Figure 18). Despite the restaurant closures that occurred between October and January, the number of opened restaurants in January (427) is higher than June (352), though lower than October (460).

Several restaurants have pivoted their business models to adapt to the limited indoor dining restrictions and increased take-out and delivery. Earlier this year, restaurateur Jose Garces repurposed his full-service restaurant, Tinto, as a wine shop focused on takeout and delivery orders. Vesper and Oloroso have also temporarily switched to “ghost kitchens” — Hunnie’s Crispy Chicken and Remi Ricotta, respectively — focusing only on delivery orders. Other notable openings in 2020 included The Wayward, Huda, Steak 48, Cockatoo, and Federal Donuts.

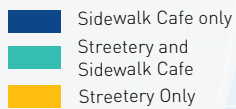
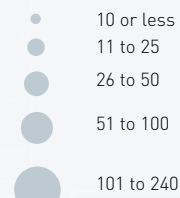
To sustain restaurants, especially those unable to invest in heated outdoor seating, CCD launched a “Takeout Philly” marketing campaign to encourage residents to order directly from restaurants and tip generously. CCD has licensed the campaign, which will continue until the end of March, at no cost to neighborhood commercial corridors across the city,

FIGURE 17: MONTHLY FOOD SERVICES AND DRINKING PLACES EMPLOYMENT, 2020

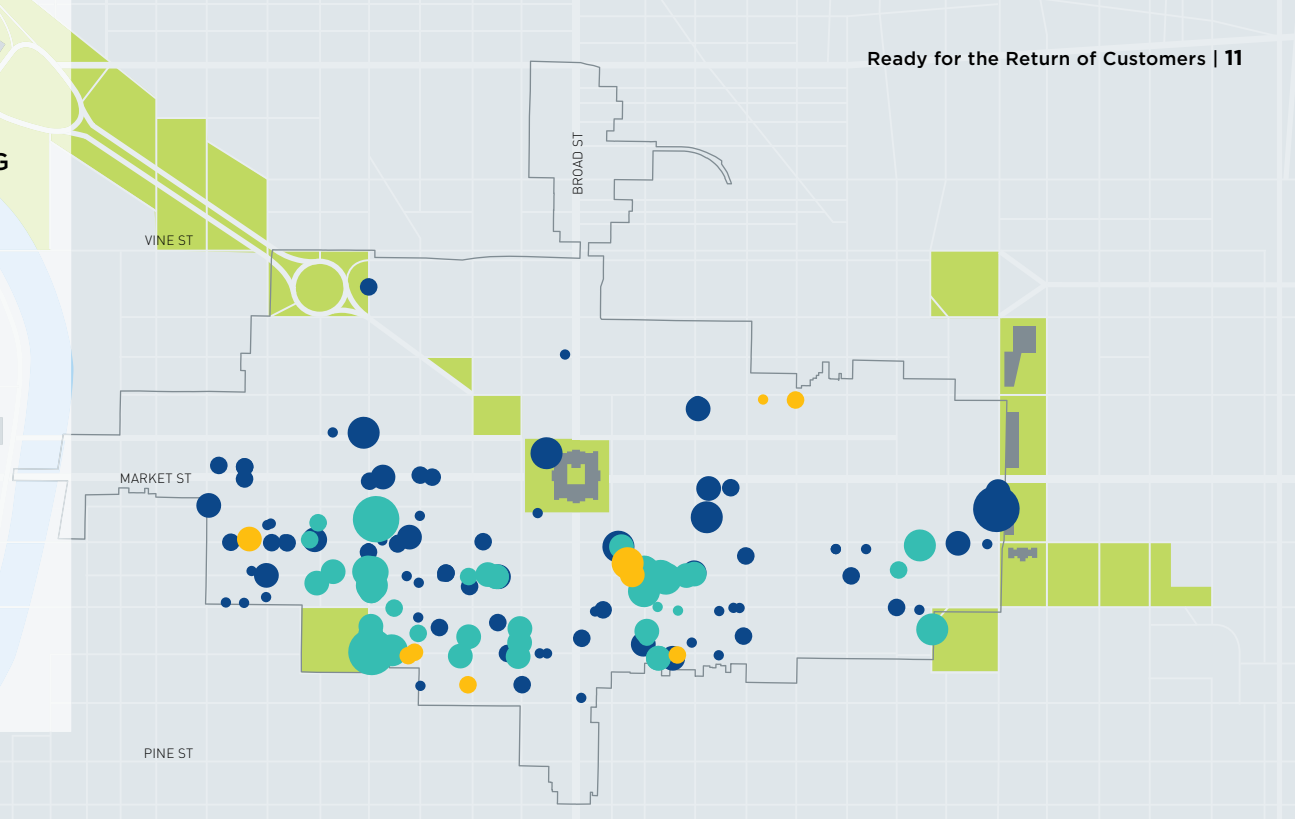


4: JLL, City Retail: The most acclaimed urban shopping districts, 2019 <https://www.us.jll.com/content/dam/jll-com/documents/pdf/research/americas/us/am-retail-2019-city-retail-report-final-hr-pages.pdf>

**FIGURE 18:
OUTDOOR SEATING
IN CENTER CITY,
JANUARY 2021**



Source:

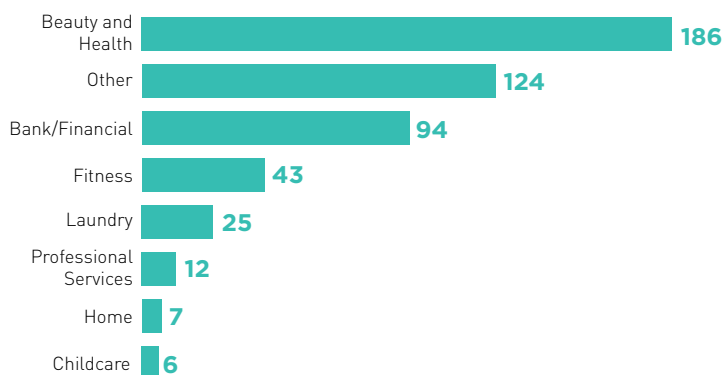


NUMBER OF OUTDOOR SEATS

OUTDOOR SEATING TYPE	JUNE 2020	SEPT 2020	DEC 2020	JAN 2021
Sidewalk Cafe	N/A	2,628	2,355	1,549
Sidewalk Cafe and Streetery	N/A	2,414	2,148	1,961
Streetery Only	N/A	110	196	206
GRAND TOTAL	2,997	5,152	4,699	3,716

*CCD did not record seating type during first survey.

**FIGURE 19: CENTER CITY DISTRICT
SERVICE PROVIDERS**



Source: CCD Survey, January 2021

SERVICE BUSINESS RECOVERY

Service businesses, including banks, gyms, salons and laundry services, as well as some first and second floor medical and legal offices, have steadily reopened when permitted by regulations. Those fully or partially open increased from 329 in June (61.7%) to 419 in September (82.0%), to 427 in [85.9%] in January.

CONCLUSION

The January 2021 survey captures conditions at what is probably the lowest point in the economic cycle, just before widespread vaccination begins. Through the sustained deployment of CCD's on-street staff, increased bike safety patrols, social media, traditional advertising, email newsletters, a Restaurant Week promotion at the end of September, events in our parks and a takeout campaign, the Center City District has been working to reassure residents and workers and attract customers to downtown shops and restaurants. All communications have underscored the importance of observing health safety guidelines. CCD has also collaborated with Center



City retail associations, merchants and the City of Philadelphia to secure approvals for weekend street closures that have expanded outdoor seating capacity. The next major step will be the phased re-opening of office buildings and a concerted effort to attract existing workers and new tenants to downtown. Leisure tourism will follow, as will meetings, conventions and international travel.

In the short term, several grants and funding options are available to assist restaurants and small businesses impacted by Covid-19, including Restart PHL, Salesforce Care Small Business Grants, The Red Backpack Fund, Citizen Bank Small Business Recovery Program, and more.⁵

Center City merchants have shown extraordinary creativity and resilience, adapting to one of greatest challenges most have experienced in a lifetime, during a time of unprecedented national political uncertainty. As in all recessions, unfortunately not all businesses will survive. However, Center City possesses all the diverse components required for revival, the restoration of jobs, the re-opening of restaurants and shops and the creation of new businesses. With dedicated corporate, civic and public leadership, we should use this crisis not simply to restore the status quo, pre-Covid, but to address long-standing challenges that have limited Philadelphia's full potential to create more inclusive opportunity and prosperity.

5: See Business Recovery Resources on the CCD website <https://www.centercityphila.org/news/reopening-resources>

APPENDIX

SURVEY RESULTS WITHIN CENTER CITY DISTRICT

OPERATING STATUS	JANUARY
RESTAURANTS	
Open for Takeout, Pickup or Delivery Only	222
Open for eating on the premises (indoor and/or outdoor)	208
Temporarily Closed	150
Permanently Closed	48
TOTAL	628
RETAIL	
Fully Open	453
Appointments, Online sales and/or Curbside Pickup only	29
Temporarily Closed	42
Permanently Closed	30
TOTAL	554
SERVICE	
Fully Open	307
Customer Request, Appointments and/or Teleservice	120
Temporarily Closed	46
Permanently Closed	24
TOTAL	497
Vacant - Closed	248
GRAND TOTAL	1,927