



CENTER CITY REPORTS | NOVEMBER 2021

Monitoring Philadelphia's Economic Recovery

Philadelphia has continued its slow but steady job recovery as seasonally adjusted payroll employment increased by 1,800 in September, led by growth in educational services, leisure, hospitality and government and supplemented by the gradual return of office workers. As a result, the unemployment rate declined from just under 20% in July 2020 to 8.1%, although this does not count more than 40,000 city residents who have left the labor force altogether since the start of the pandemic.

Rising transit ridership, parking occupancy and pedestrian volumes in Center City reflect the full return of colleges and universities, the reopening of performing arts venues, the steady return of tourists, convention attendees, regional shoppers and office workers. With the holiday shopping season just beginning and, assuming no recurring health crises, the recovery will accelerate.

The Center City District's (CCD) November survey of nearly 1,900 downtown storefronts showed that 80% of retailers and restaurants were open for business, with nearly all premises that had temporarily closed during the shutdown now welcoming customers. An analysis of local sales tax revenue shows the retail sector in Center City recovering strongly with collections in Q2 2021 8% higher than pre-pandemic levels. By contrast, tax collections from Center City restaurants and bars, which face more constraints, have been slower to bounce back: Q2 tax receipts were only 67% of 2019 quarterly revenues. Outdoor seating on sidewalks and at streeteries

helped compensate for indoor restrictions, with 6,694 outdoor seats deployed in the District in September.

Nonetheless, Philadelphia faces major challenges. The highest paying jobs – including professional, financial and business services, sectors whose space needs and purchasing power create opportunities in building services, transportation and in retail and restaurants – are the very jobs most easily performed remotely. The combination of job loss and remote work has caused wage tax collections to remain consistently below 2019 and 2020 levels with Q3 2021 revenues 11% lower than Q3 2019. This is compounded by the fact that 47% of Center City workers and 35% of citywide workers commute from the suburbs and are exempt from the wage tax if they have been directed to work from home. This critical challenge to Philadelphia finances ought to be a spur for those serving on the City's tax reform committee, as the pandemic has starkly revealed the City's vulnerability due to its unusual dependence on wage and business taxes.

At the same time, the pandemic creates opportunities for Philadelphia to attract remote workers and firms from other cities given our affordability, amenities and ease of access. To achieve this goal, CCD has launched a multimedia advertising campaign, linked to the website www.Phillyworks.com.

EMPLOYMENT

Payroll employment in the city climbed to 681,100 in September, an increase of 1,800 over the prior month. Philadelphia has restored 54,300 jobs from a low point of just 626,800 in April 2020. Still, the city is 69,100 jobs (9%) below its February 2020 level.

Philadelphia's recovery remains slow compared to that in the region and the nation. Through September, on a seasonally adjusted basis, the city had recovered 44% of the jobs lost from February to April 2020. Nationally, 78% of lost jobs had been recovered, while the 11-county region has recovered 69% of its jobs. Philadelphia's rate of recovery is comparable to that of New York, where 46% of payroll employment was restored by September 2021.

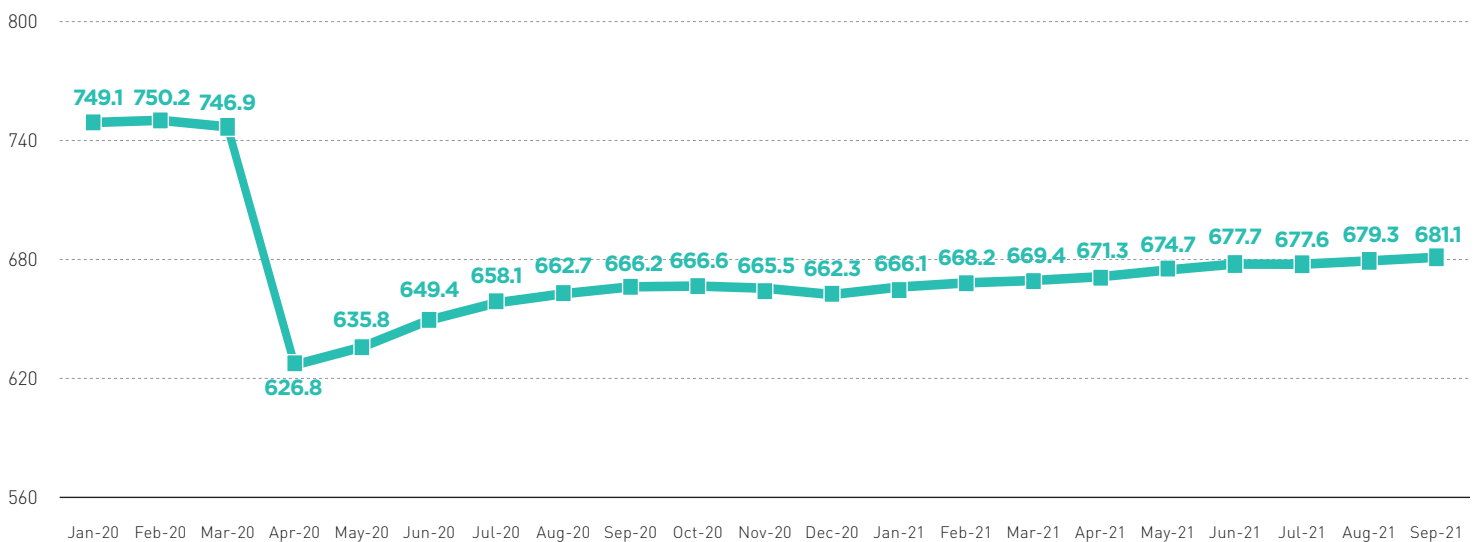
On a non-seasonally adjusted basis, September job gains in Philadelphia were led by educational services (+8,600), government (+3,400) and leisure and hospitality (+2,300). There were also modest gains in transportation, warehousing, and utilities (+1,300) and retail trade (+600). These gains were offset by losses in professional and business services (-1,200) and financial activities (-1,000).

As of September, every major employment sector in the city remained below its February 2020 level, although the gaps varied in size. While government, information, and construction jobs were within 5% of their February 2020 levels, transportation, warehousing and utilities were down by 12%, educational services down by 13%, and other services down by 15%, with leisure and hospitality still 30% below pre-pandemic levels.

As of September, the number of Philadelphia residents who are employed is back to 92% of the February 2020 level compared to 95% of residents in the 11-county region. This has been achieved in part because 41% of employed Philadelphians in every neighborhood reverse commute to adjacent suburbs, which allows them to participate in the suburban job recovery. This is good for resident incomes and City wage tax collections but is helpful neither to urban commercial vitality nor the other employment sectors that depend on the return of workers to city-based jobs. Given the wage tax differential between the city and surrounding suburbs, these high levels of reverse commuting also create incentives for working residents to depart from Philadelphia's neighborhoods.

Given affordability, amenities and ease of access, Philadelphia can attract workers and firms from other cities. To support this, CCD has launched a multimedia advertising campaign, linked to the website www.Phillyworks.com.

PHILADELPHIA CITY PAYROLL EMPLOYMENT BY MONTH (IN THOUSANDS)



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

PHILADELPHIA CITY EMPLOYMENT TRENDS BY INDUSTRY (IN THOUSANDS)

	FEBRUARY 2020	APRIL 2020	AUGUST 2021	SEPTEMBER 2021	CHANGE APRIL 2020 TO SEPTEMBER 2021	CHANGE AUGUST 2021 TO SEPTEMBER 2021
Total Jobs	750.2	626.8	679.3	681.1	54.3	1.8
Mining, Logging and Construction	11.4	6.8	11.1	11.3	4.5	0.2
Manufacturing	18.9	14.4	16.8	17.2	2.8	0.4
Wholesale Trade	14.5	12.4	13.7	13.6	1.2	(0.1)
Retail Trade	48.4	36.2	44.8	45.4	9.2	0.6
Transportation, Warehousing, and Utilities	30.4	25.5	25.5	26.8	1.3	1.3
Information	16.2	15.0	16.0	16.0	1.0	-
Financial Activities	43.0	41.2	41.7	40.7	(0.5)	(1.0)
Professional and Business Services	106.4	94.2	99.7	98.5	4.3	(1.2)
Professional, Scientific, and Technical Services	61.7	58.6	61.1	59.9	1.3	(1.2)
Educational Services	78.1	72.5	59.3	67.9	(4.6)	8.6
Health Care and Social Assistance	172.5	159.1	164.3	164.2	5.1	(0.1)
Hospitals	58.7	57.4	56.9	56.8	(0.6)	(0.1)
Leisure and Hospitality	74.5	29.2	50.0	52.3	23.1	2.3
Accommodation and Food Services	61.9	21.1	40.4	42.6	21.5	2.2
Other Services	29.0	19.2	24.8	24.6	5.4	(0.2)
Government	107.1	105.6	103.4	106.8	1.2	3.4
Federal Government	31.0	31.1	31.1	31.2	0.1	0.1
State Government	10.9	10.6	9.9	10.3	(0.3)	0.4
Local Government	65.2	63.9	62.4	65.3	1.4	2.9

Note: Total employment is seasonally adjusted, and industry employment is not seasonally adjusted.

Source: Bureau of Labor Statistics, Current Employment Statistics

Job recovery varies significantly by sector with leisure, hospitality and food services still with the greatest percent of lost jobs.

UNEMPLOYMENT RATE

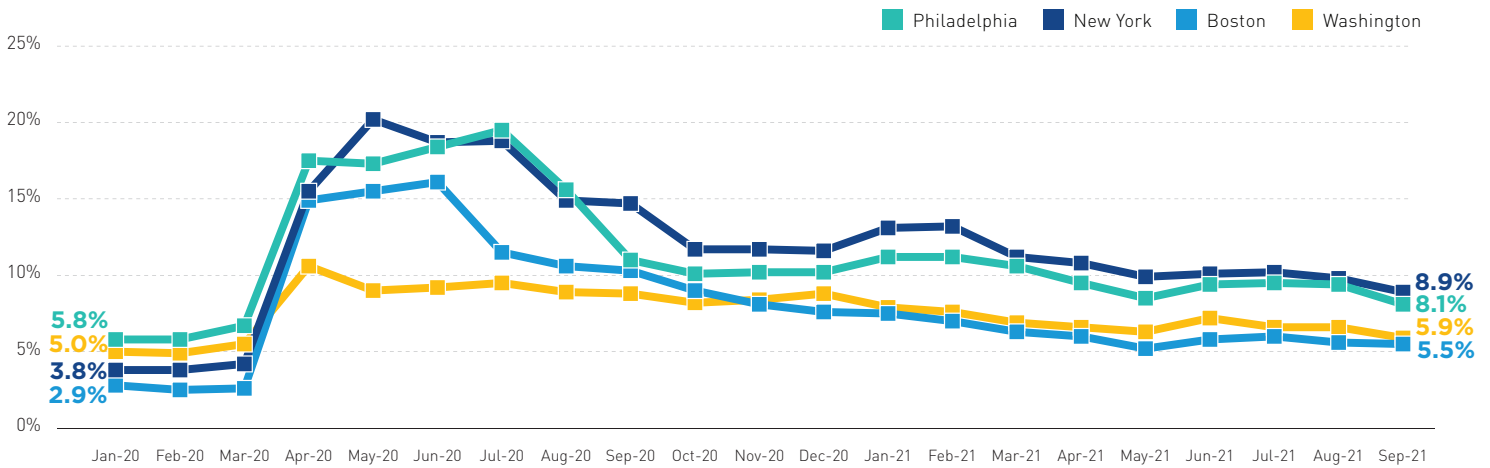
The unemployment rate in Philadelphia declined to 8.1% in September, as the number of employed residents increased by 9,400, and unemployed residents declined by 9,300. At the same time, the labor force has declined by 41,100 since the start of the pandemic, indicating that many who lost jobs in spring 2020 are neither employed nor actively seeking work.

Philadelphia's 8.1% September unemployment rate was below New York's 8.9% rate, but higher than Boston (5.5%) and Washington (5.9%).

UNEMPLOYMENT CLAIMS

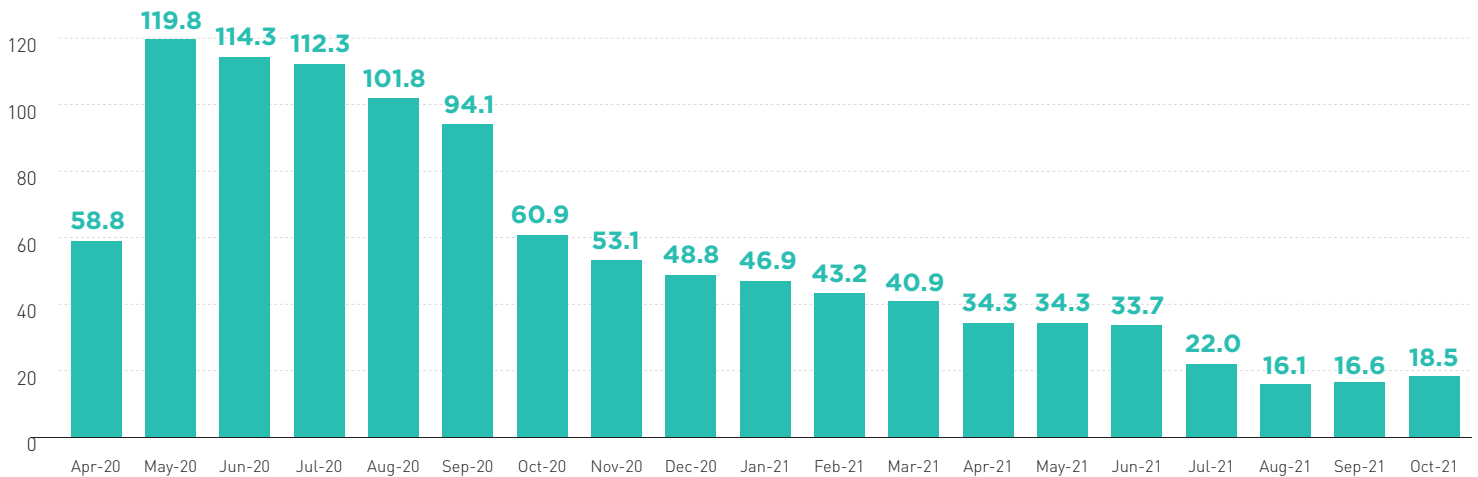
The average weekly continuing claims for unemployment benefits for Philadelphia workers increased from 16,600 in August to 18,500 in September, but remains well below the level of spring and summer 2020, when average weekly continuing claims exceeded 100,000.

UNEMPLOYMENT RATE, NORTHEAST CITIES



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, not seasonally adjusted

AVERAGE WEEKLY CONTINUING UNEMPLOYMENT CLAIMS, PHILADELPHIA (THOUSANDS)



Source: Pennsylvania Department of Labor and Industry

OFFICES

The overall vacancy rate in the Center City office market increased from 17.7% in the second quarter of 2021 to 18.5% in the third quarter.¹ An additional 350,600 square feet of space was vacated in Q3, for a year-to-date total of -1,175,500 square feet. Uncertainty in the market has resulted in fewer tenants willing to make long term commitments and some decisions to reduce space requirements. Despite these pressures, however, rents have not declined significantly in 2021, with average asking rent (for Class A and Class B space combined) at \$34.26 per square foot in the third quarter. Landlords have been reluctant to lower rents but have compensated with concessions such as higher tenant improvement allowances.² Rents have also been supported by a "flight to quality" as tenants relocating within the downtown market have sought space within Trophy or Class A properties.³ Also a positive sign, during the third quarter, Center City attracted several new-to-market tenants, including IONOS, Compass Real Estate and Kepler Group.

Philadelphia is typical of major northeast cities in terms of the percentage of downtown workers who are working remotely. CCD data for pedestrian traffic in the West Market office district, and Placer.ai data on the number of non-resident workers who are physically downtown both indicate a gradual return to downtown work in recent months. According to CCD sensors, pedestrians on the 1600 and 1800 blocks of Market Street and the 1700 block of JFK Boulevard increased from 10,300 in January to 20,061 in October. Placer.ai, which tracks downtown pedestrians using anonymized phone location data, shows a 51% increase from January to October in the daily average number of non-resident workers who are in Center City, with a 6% increase over the last month. Overall pedestrian volumes are at two-thirds of their pre-pandemic level, but still stronger on weekends than weekdays.

CENTER CITY OFFICE MARKET TRENDS, 2021

SUBMARKET	TOTAL INVENTORY (SF)	Q1 ASKING RENT (PRICE/SF)	Q2 ASKING RENT (PRICE/SF)	Q3 ASKING RENT (PRICE/SF)	Q1 VACANCY RATE	Q2 VACANCY RATE	Q3 VACANCY RATE	Q3 ABSORPTION (SF)	YEAR-TO-DATE ABSORPTION (SF)
East Market	6,331,084	\$32.89	\$32.66	\$32.20	15.7%	15.7%	18.9%	-203,006	-207,018
Independence Square	5,380,384	\$31.96	\$31.72	\$31.59	16.8%	18.8%	20.1%	-71,097	-164,664
Walnut/South Broad	3,977,064	\$30.99	\$30.49	\$30.53	21.6%	22.1%	21.1%	39,683	-35,848
West Market	24,796,953	\$35.93	\$36.03	\$35.97	15.3%	17.3%	17.7%	-116,155	-768,005
Center City	40,485,485	\$34.44	\$34.39	\$34.26	16.2%	17.7%	18.5%	-350,575	-1,175,535

Source: Newmark, CCD estimates

RETAIL AND RESTAURANTS

CCD's November retail survey found there were 1,893 storefronts within the District. Of these, 527 restaurants, 527 retailers, and 456 service providers were fully or partially open, representing 80% of all storefronts. Another 51 locations were temporarily closed and 10 were permanently closed. The remaining 322 locations were vacant (17% of the total). Of the vacant storefronts, 25 had obtained tenants, 183 were available, and 114 were off-market.

Among retailers, 501 (93%) were fully open, 26 (5%) provided curbside pickup or services by appointment, and 12 (2%) were temporarily or permanently closed. Within the service category, 372 (79%) were fully open, 84 (18%) offered services by appointment or online, and 12 (3%) were temporarily or permanently closed. Among restaurants, 396 (70%) were fully open for indoor and/or outdoor dining, 131 (23%) were open for takeout or delivery only, and 37 (7%) were temporarily or permanently closed. A separate survey found that there were 6,694 outdoor seats at Center City District

restaurants in September, located on the sidewalk or at a streetery, an increase of 83% since February.

Businesses that had been closed in the early stages of the pandemic have been steadily reopening in all three categories. There were 646 storefront business closed in the District in June 2020. By October 2020, that number had fallen to 350, and has continued to fall throughout 2021, reaching just 61 in November, just 4% of all non-vacant locations. Another positive sign is that boarded-up storefronts declined from 233 in June 2020 to 35 in August 2021, representing just 2% of all locations in the District.

Forty new storefront businesses opened in Center City in 2020, and 64 more opened during the first ten months of 2021. At least 31 additional retailers or restaurants have plans to open by early 2022, including Equinox, Jeni's Splendid Ice Cream, and Kura Sushi.

1: CCD estimate based on data from Newmark.

2: Newmark, Philadelphia Office Market, Q3 2021.

3: JLL, Philadelphia CBD Office Insight, Q3 2021.

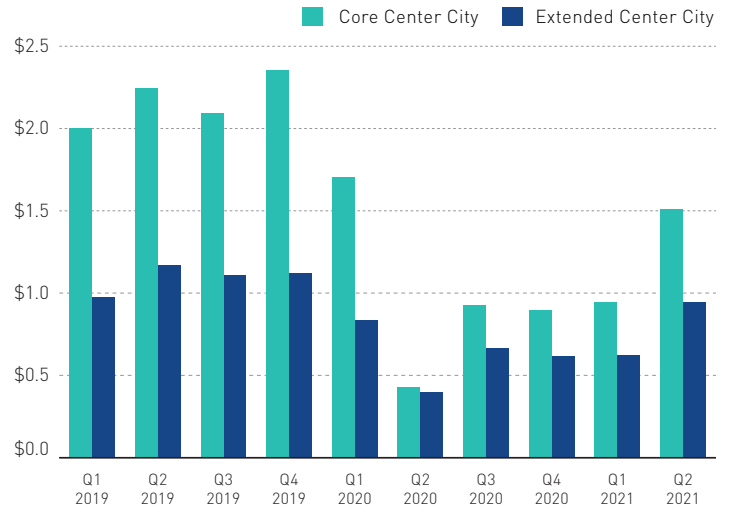
RESTAURANT OPERATING STATUS, NOVEMBER 2021

- 396** Open for Indoor and/or Outdoor Dining
- 131** Open for Takeout, Pickup or Delivery Only
- 32** Temporarily Closed
- 5** Permanently Closed



Source: Center City District Survey

LOCAL SALES TAX REVENUE COLLECTED BY FOOD SERVICES ESTABLISHMENTS IN CENTER CITY (\$ IN MILLIONS)



Source: Pennsylvania Department of Revenue

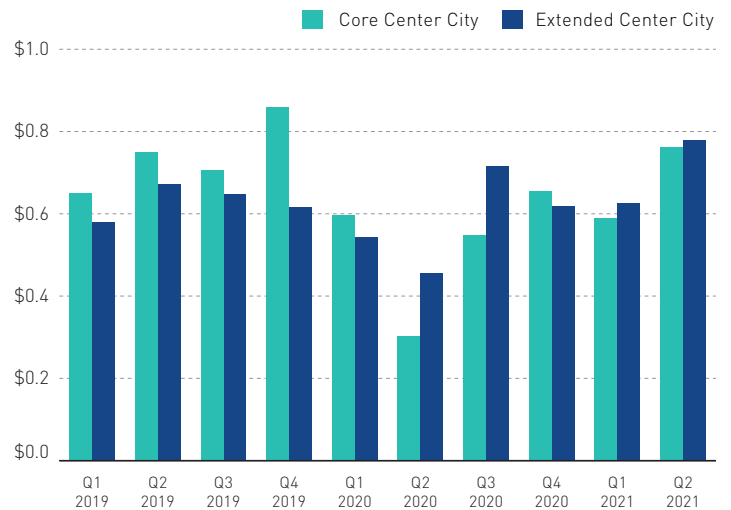
RETAIL BUSINESS OPERATING STATUS, NOVEMBER 2021

- 501** Fully Open
- 26** Appointments, Online Sales and/or Curbside Pickup Only
- 8** Temporarily Closed
- 4** Permanently Closed



Source: Center City District Survey

LOCAL SALES TAX REVENUE COLLECTED BY RETAILERS IN SELECTED CENTER CITY SECTORS (\$ IN MILLIONS)



Source: Pennsylvania Department of Revenue

SERVICE BUSINESS OPERATING STATUS, NOVEMBER 2021

- 372** Open
- 84** Customer Request, Appointments and/or Teleservice
- 11** Temporarily Closed
- 1** Permanently Closed



Source: Center City District Survey

OUTDOOR SEATING AT CENTER CITY DISTRICT RESTAURANTS

Outdoor Seating Type	JUN-20*	SEP-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUL-21	SEP-21
Sidewalk Cafe	N/A	2,628	2,355	1,549	1,541	1,876	2,284	2,823	3,370	3,564
Sidewalk Cafe and Streeery	N/A	2,414	2,148	1,961	1,938	2,191	2,531	2,869	2,547	2,498
Streeery Only	N/A	110	196	206	174	339	498	570	634	632
TOTAL		2,997	5,152	4,699	3,716	4,406	5,313	6,262	6,551	6,694

* CCD did not record seating type during first survey.

** CCD did not count seats in June 2021.

LOCAL TAX REVENUE

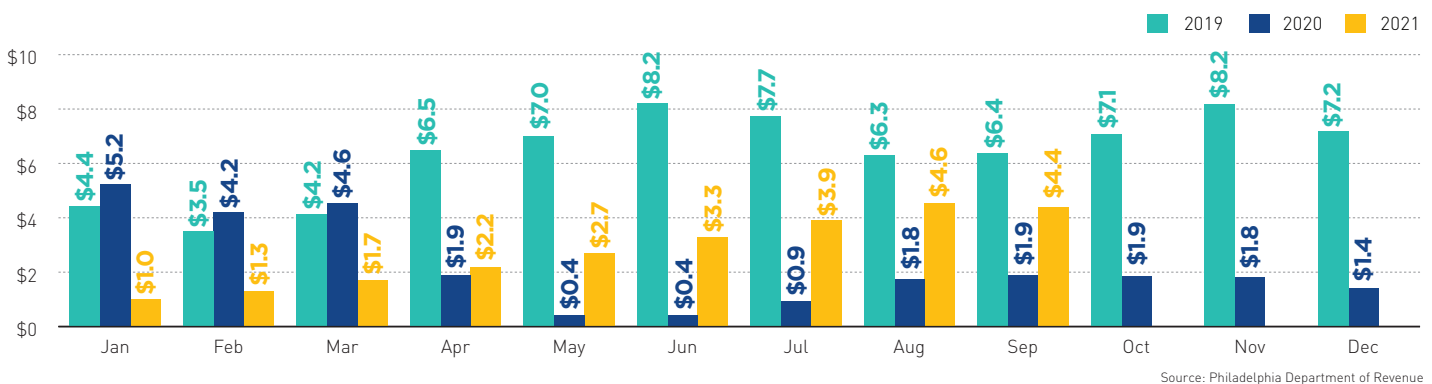
Revenue from the city's tax on hotel room charges was \$4.4 million in September, the first monthly decline of 2021. However, August revenues were more than twice the level of 2020, although 30% below the 2019 level.

Wage and earnings tax revenue totaled \$465 million in the third quarter of 2021, 11% below the 2019 level. This tax, which is the city's largest source of local revenue, continues to show weakness, reflecting reduced employment and the impact of remote work on payments by non-residents. The 2% local sales tax, by contrast continues to show strength, with third quarter collections at \$85 million, an increase of 20% over 2020, and 4% over 2019. Sales tax collections have increased steadily since the second quarter of 2020,

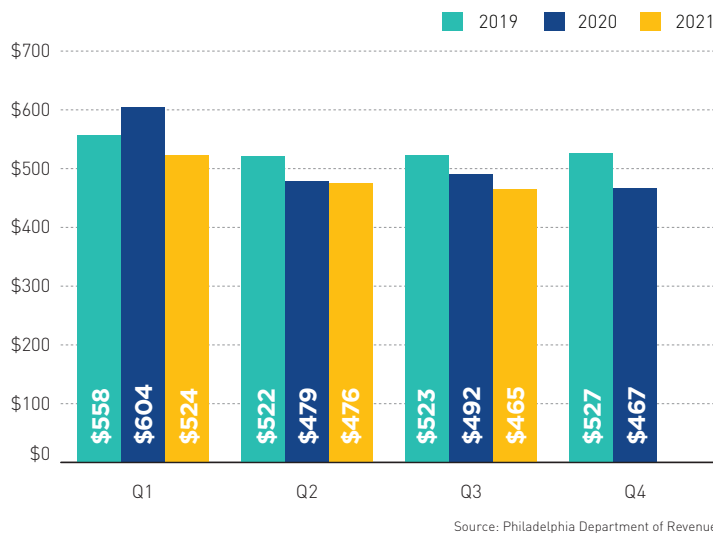
likely reflecting the impact of unemployment benefits and other federal assistance programs that have sustained the disposable income of city residents and visitors.

Sales tax collections, which are available at the ZIP code level for some sectors, provide insight into the pace of economic recovery in the retail and food services sector in Center City. Collections by Greater Center City retailers in the second quarter totaled \$1.5 million, more than twice the level of 2020 and 8% higher than 2019.⁴ Sales tax collections at bars, restaurants, and other food service establishments, however, have been slower to recover, with core Center City revenues in the second quarter at 67%, and extended Center City collections at 81%, of the 2019 level.

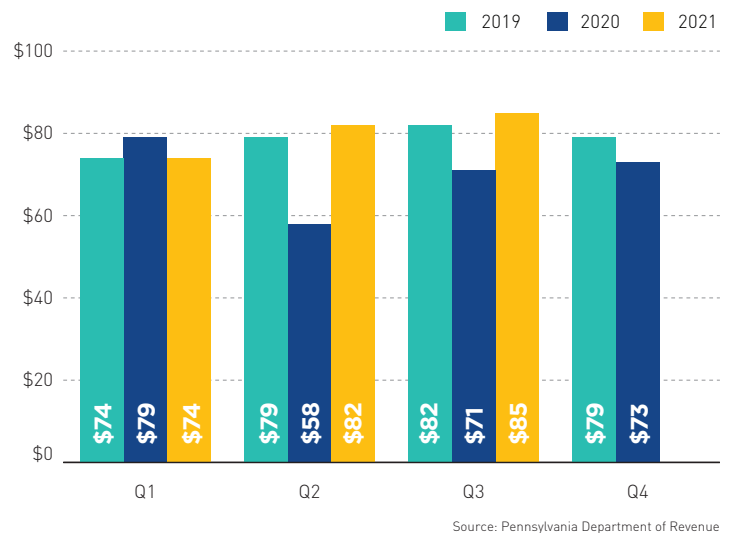
HOTEL TAX REVENUE (\$ IN MILLIONS)



WAGE AND EARNINGS TAX REVENUE (\$ IN MILLIONS)



LOCAL SALES TAX REVENUE (\$ IN MILLIONS)



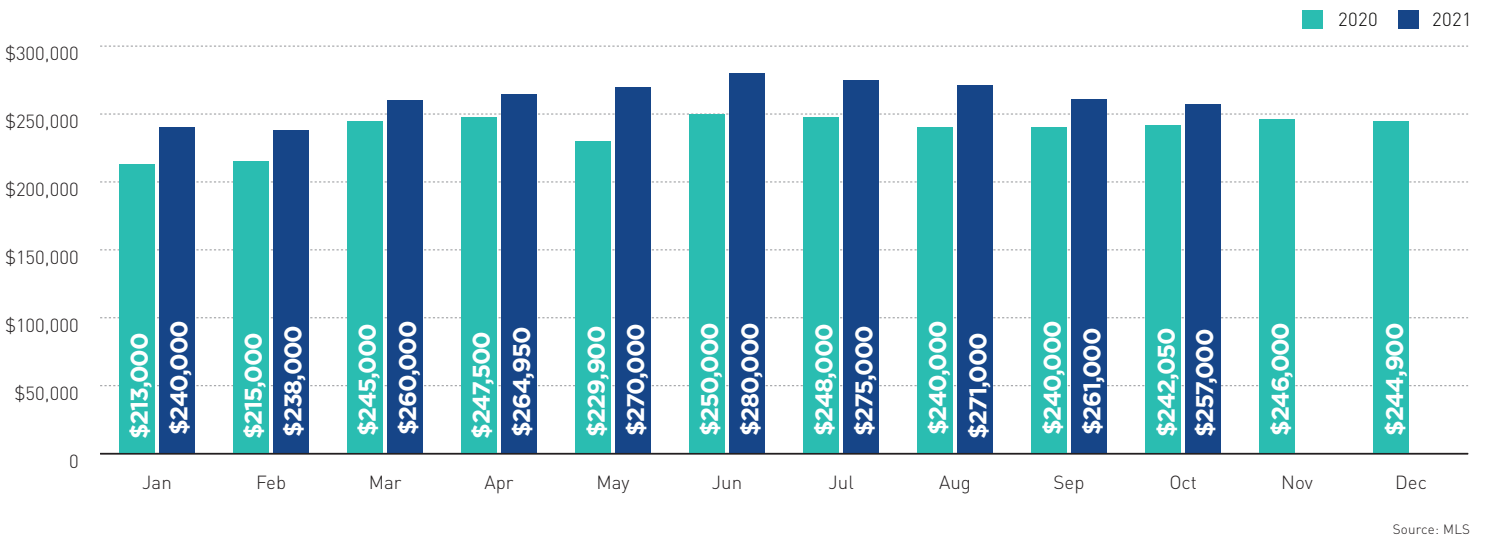
⁴: Revenues from some retail sectors were not included due to incomplete data. The amounts cited include revenues from the following sectors: furniture stores, electronics and appliance stores, building material and supplies dealers, grocery stores, specialty food stores, health and personal care stores, clothing stores, jewelry, luggage, and leather goods stores, sporting goods, hobby, and musical instrument stores, general merchandise stores other than department stores, florists, office supplies, stationery, and gift stores, and other miscellaneous store retailers.

HOUSING

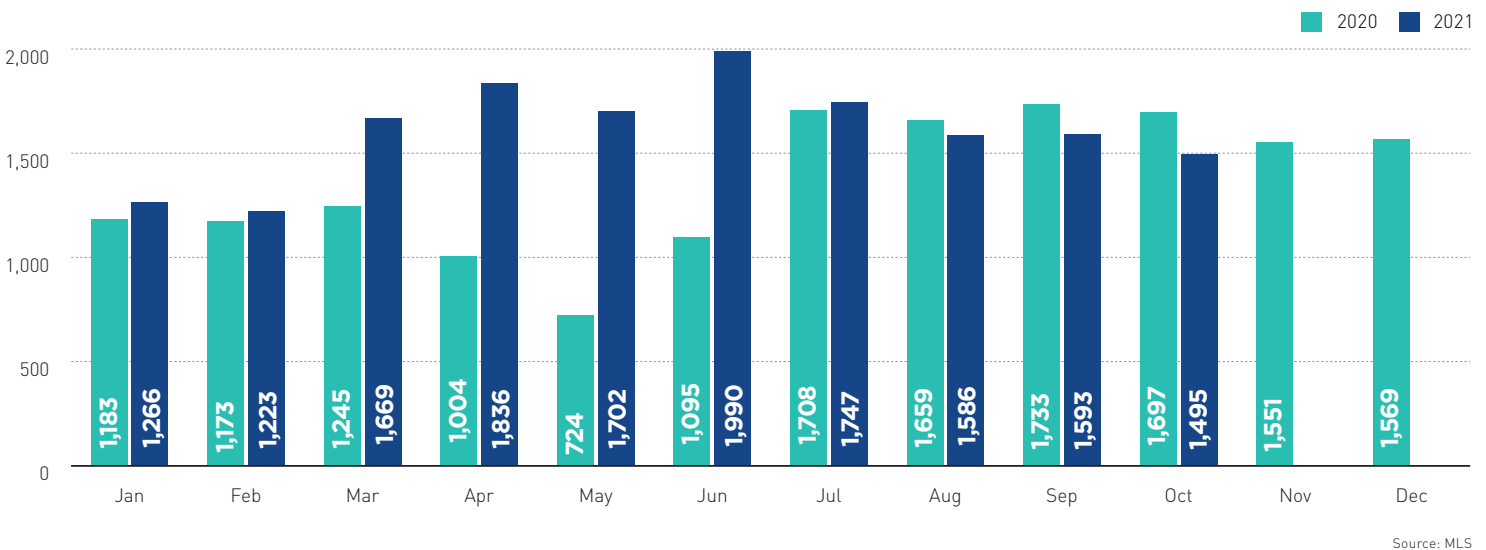
The Philadelphia housing market continues to show remarkable strength, with strong sales volumes and increasing prices compared to last year, although both prices and sales volumes have moderated in recent months. According to MLS, there were 1,495 citywide residential sales in October, down 12% from last year. The median sale price citywide was \$257,000, up 6%.

For information on the Greater Center City housing market, see CCD's 2021 housing report: <https://www.centercityphila.org/uploads/attachments/ckmusxz420hyfq0qdvxp2dotp-2021-housing-report-web.pdf>

PHILADELPHIA MEDIAN RESIDENTIAL SALE PRICE



PHILADELPHIA RESIDENTIAL SALES



PUBLIC TRANSIT

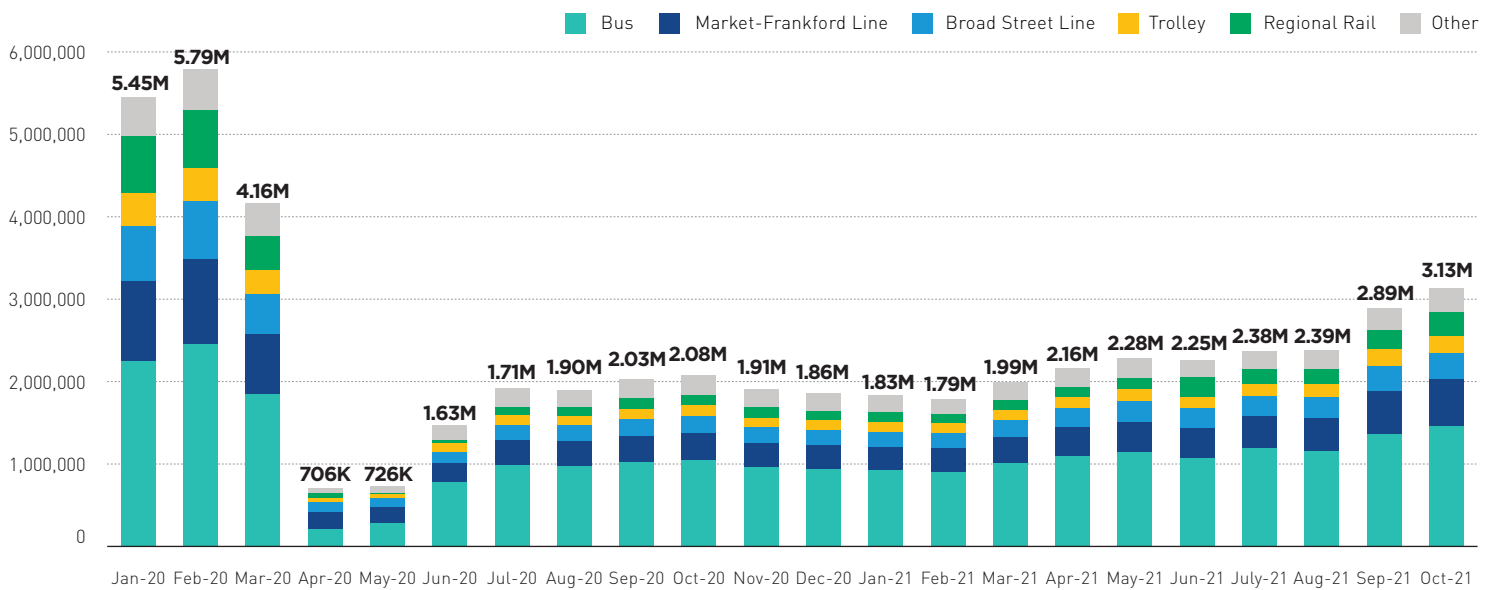
Average weekly SEPTA ridership across all modes totaled 3.13 million in October, an 8% increase from the previous month, and consistent with the generally increasing trend since February.

Between February and October, overall ridership increased 75%, with the largest increases in Regional Rail (200%), the Market-Frankford Line (95%), and trolleys (81%). Bus riders increased 63% and Broad Street line riders increased 62% over this period.

SEPTA weekly ridership overall in October was at 54% of the February 2020 pre-pandemic level. Bus ridership was at 60% of the pre-pandemic level, the Market-Frankford Line at 55%, trolleys 53%, the Broad Street Line 45% and Regional Rail 41%.

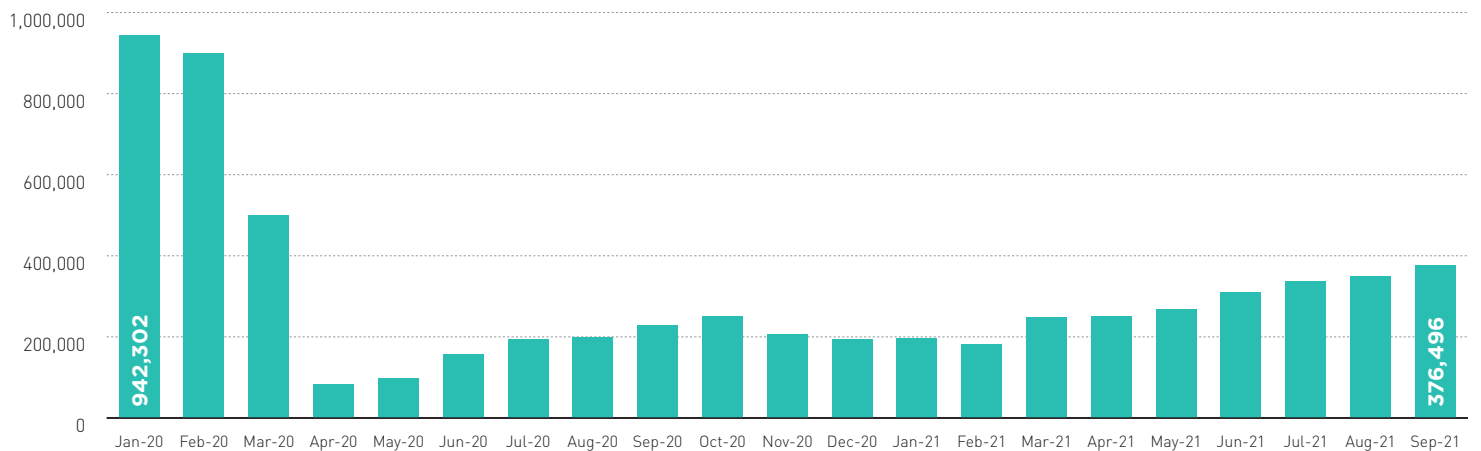
PATCO ridership increased by 8% in September and has also increased consistently in recent months. September ridership totaled 376,500, which is 42% of the February 2020 pre-pandemic level.

SEPTA AVERAGE WEEKLY RIDERSHIP, 2020-2021



Source: SEPTA

MONTHLY PATCO RIDERSHIP

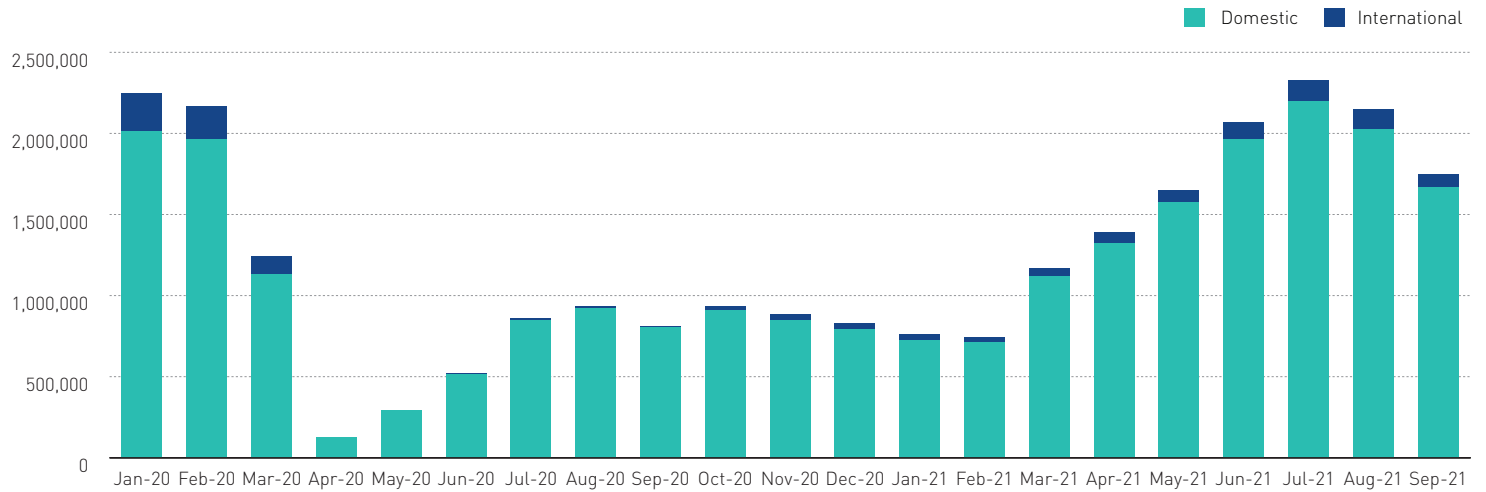


Source: PATCO

AIR TRAVEL

Passengers at Philadelphia International Airport declined 18% between August and September, the second consecutive monthly decline. In September, domestic traffic was at 72%, and international traffic at 23%, of the pre-pandemic level.

PASSENGER TRAFFIC, PHILADELPHIA INTERNATIONAL AIRPORT



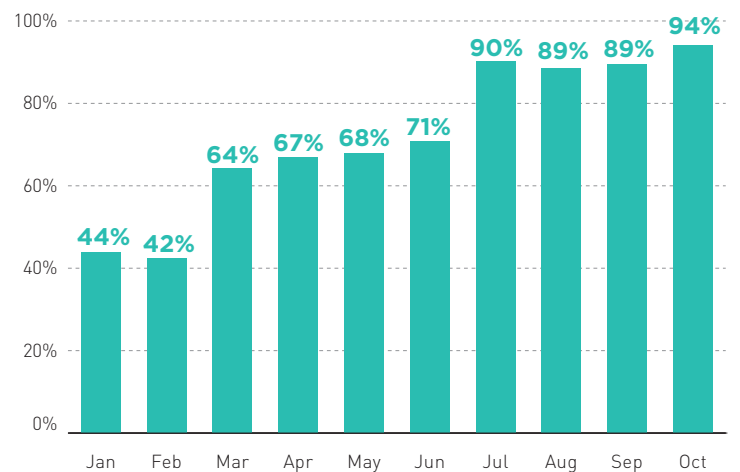
Source: Philadelphia International Airport

OFF-STREET PARKING

Parkway Corporation reports that across their multiple off-street garages, parking volumes have increased gradually throughout 2021. October volume reached 94% of the 2019 level.

The strong recovery in parking volumes have reflected a return of sports and convention events. There is also evidence of increased demand from former transit riders who have shifted to driving to work during the pandemic. Demand has also increased due to a loss of on-street parking spaces due to outdoor dining at “streeteries” and reduced off-street parking supply, as some garages have been demolished to make way for new downtown development.

PARKING VOLUME IN 2021 AS A PERCENTAGE OF 2019



Source: Parkway Corporation

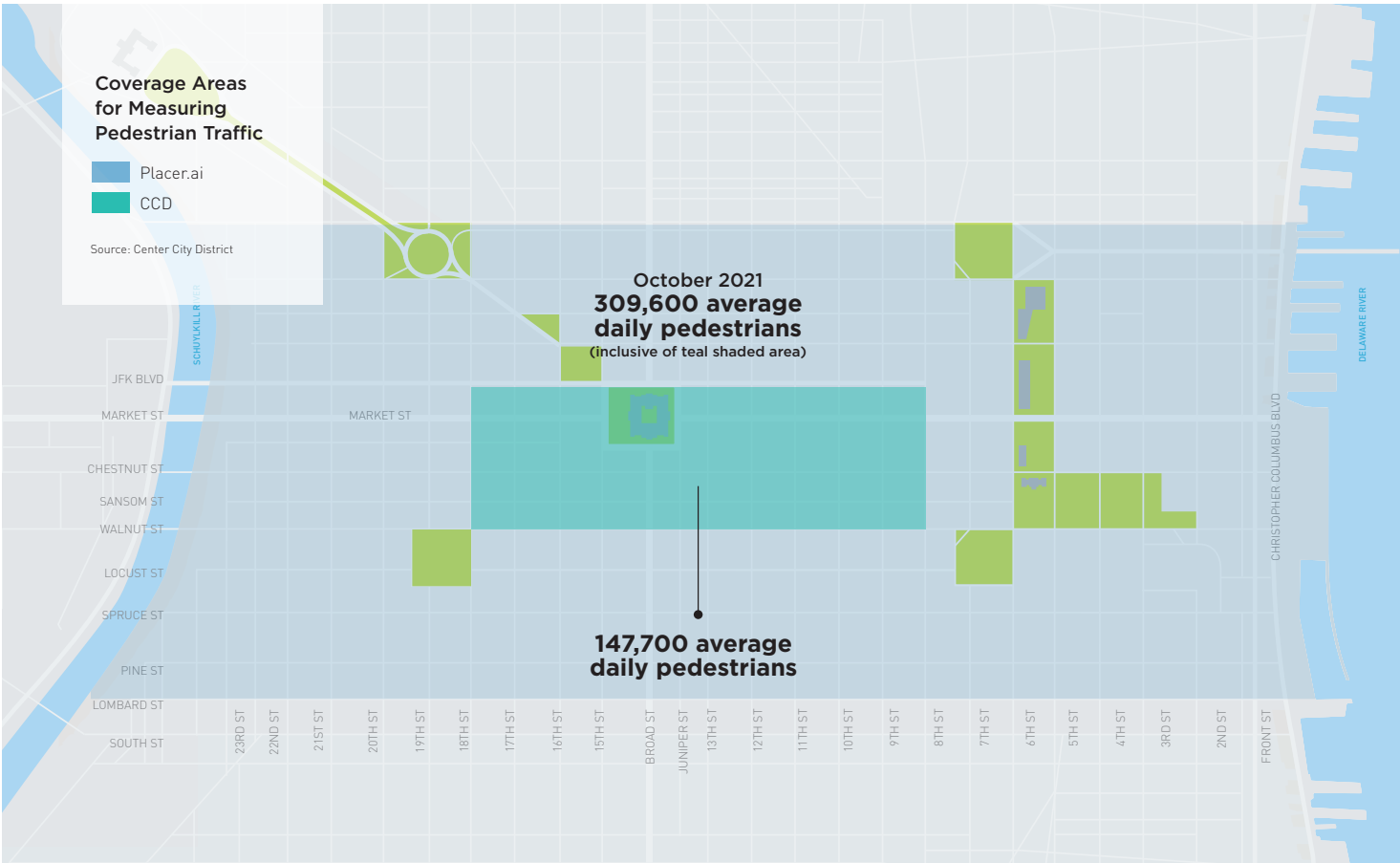
CENTER CITY PEDESTRIANS

CCD monitors pedestrian volumes at 20 locations throughout the dense core of Center City, an area that represents just 12.4% of the geography from Vine Street to Lombard Street, river to river, but which accounts for about 40% of all pedestrian traffic. In October, average daily pedestrians at these locations was 145,900 on weekdays (a 5% increase from the prior month) and 151,300 on weekends (a 2% decline). Both weekday and weekend volumes have generally increased throughout 2021, an indication of the gradual return of workers, shoppers, and visitors to downtown.

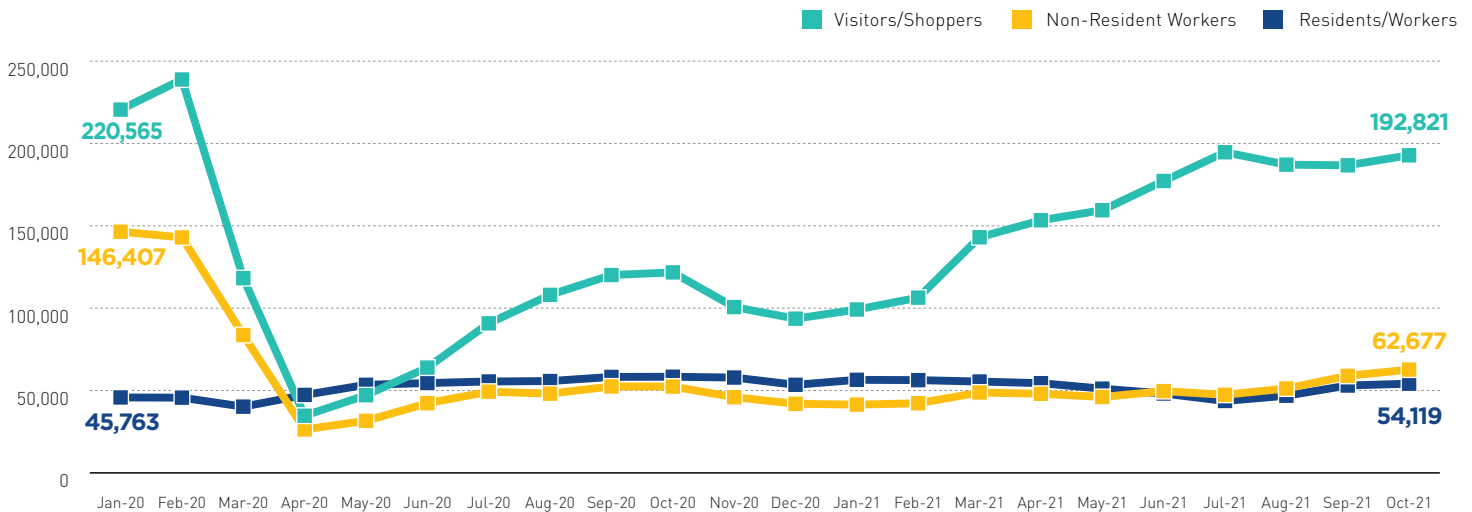
From anonymized mobile phone data, Placer.ai sorts the daily population of Center City into three categories: residents, non-resident workers, and visitors (a category that includes tourists,

convention attendees and regional shoppers and visitors). In the initial months of the pandemic, the number of non-resident workers and visitors fell dramatically, but there has since been a gradual recovery in both categories. In recent months, the surge in non-resident workers has been notable, with a 51% increase between January and October and 6% in the most recent month. Throughout the pandemic, the number of residents physically located within Center City was fairly consistent, generally remaining within the 40,000 to 60,000 range. Combining all categories, they were 309,600 daily pedestrians in Center City in October 2021, 75% of the number on downtown sidewalks in January 2020.

Pedestrian volumes are steadily rebounding and are now at 75% of January 2020 levels.

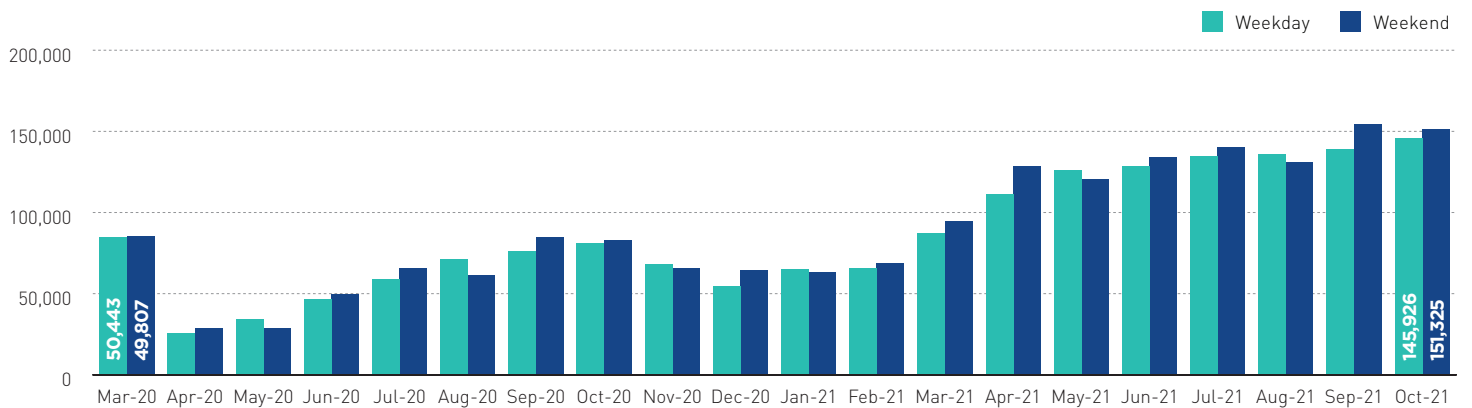


CENTER CITY PEDESTRIANS: RESIDENTS, WORKERS, AND OTHER VISITORS, AVERAGE DAILY



Source: Placer.ai

AVERAGE DAILY PEDESTRIANS AT LOCATIONS MONITORED BY CCD



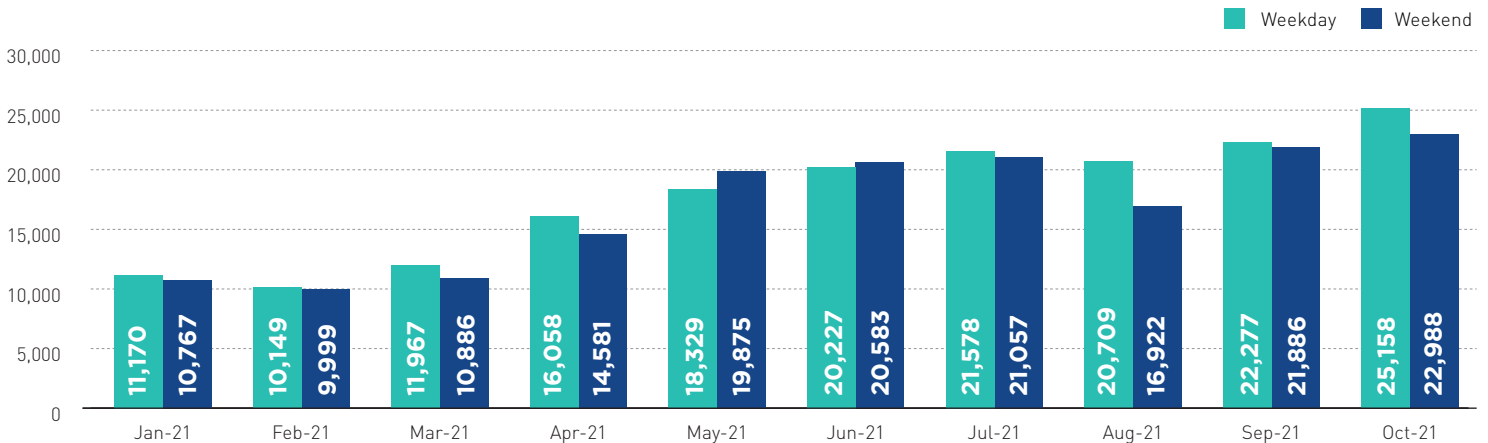
Source: Center City District, pedestrian volume counters.

DILWORTH PARK

The CCD has continued to program Dilworth Park with performing arts groups, exercise classes, craft markets, and events for families with children. In October, the average daily number of pedestrians in the park was 25,158 on weekdays (a 13% increase from the prior month), and 22,988 on weekends (a 5% increase). The combined

daily average in October 2021 of 24,458 was very close to October 2019 daily counts of 24,924. In the November, the ice rink, winter garden, holiday markets and the Deck the Hall Light Show all returned. Year-end, cumulative pedestrian volumes are projected to reach 67% of 2019 levels..

AVERAGE DAILY PEDESTRIANS IN DILWORTH PARK



Source: Center City District