

Accelerating Philadelphia's Recovery



CENTER CITY DISTRICT

Monthly Recovery Report: January 2022 Update

www.centercityphila.org

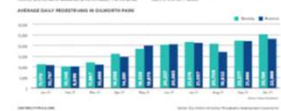


Monitoring Philadelphia's Economic Recovery

Philadelphia's economy lost 120,000 jobs at the start of the pandemic in March 2020. As of January 2022, the city has regained 65,900 jobs, leaving a deficit of 54,100 jobs. The city's recovery is being tracked through several key indicators, including the number of jobs regained, the number of jobs lost, and the number of jobs created. The city's recovery is being tracked through several key indicators, including the number of jobs regained, the number of jobs lost, and the number of jobs created.



DILWORTH PARK
The Dilworth Park project is a major redevelopment project in Center City Philadelphia. The project includes the construction of a new office building, a new hotel, and a new residential building. The project is expected to create 1,000 jobs and generate \$100 million in economic activity.



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Lost 120,000 jobs at start of the pandemic Regained 65,900 jobs from April 2020 to December 2021

PHILADELPHIA NON-FARM PAYROLL EMPLOYMENT, SEASONALLY ADJUSTED (IN THOUSANDS)



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A very slow but steady recovery Still 57,500 jobs below February 2020 Regained 53% of jobs lost in first two months of the pandemic, 11-county region regained 78%; nation has regained 84%.

PHILADELPHIA NON-FARM PAYROLL EMPLOYMENT, SEASONALLY ADJUSTED (IN THOUSANDS)



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**Biggest losses: Leisure, hospitality & restaurants down 28%
Education down 10%; Health Care -4.5% Office sector -4.4%**

CITY OF PHILADELPHIA EMPLOYMENT BY INDUSTRY (IN THOUSANDS)

	FEB. 2021	APR. 2021	% CHANGE FEB. 2020 APR. 2021	NOV. 2020	DEC. 2020 (PRELIMINARY)	% CHANGE NOV. 2020 DEC. 2020	% CHANGE FEB. 2020 DEC. 2020	DEC. 2020 AS % OF FEB. 2020
All Industries	750.2	626.8	-16.4%	688.8	692.7	0.6%	-7.7%	92.3%
Mining, Logging and Construction	11.4	6.8	-40.4%	10.9	10.6	-2.8%	-7.0%	93.0%
Manufacturing	18.9	14.4	-23.8%	17.6	17.6	0.0%	-6.9%	93.1%
Wholesale Trade	14.5	12.4	-14.5%	13.7	13.8	0.7%	-4.8%	95.2%
Retail Trade	48.4	36.2	-25.2%	47.6	48.6	2.5%	0.4%	100.4%
Transportation, Warehousing and Utilities	30.4	25.5	-16.1%	28.1	28.8	2.5%	-5.3%	94.7%
Information	16.2	15.0	-7.4%	16.5	16.5	0.0%	1.9%	101.9%
Financial Activities	43.0	41.2	-4.2%	48.3	48.5	0.5%	-5.0%	94.2%
Professional and Business Services	106.4	96.2	-9.6%	108.4	101.7	-6.3%	-4.4%	95.6%
Professional, Scientific and Technical Services	61.7	58.6	-5.0%	61.3	62.6	2.1%	3.9%	101.9%
Educational Services	78.1	72.5	-7.2%	73.6	70.3	-3.2%	-10.0%	90.0%
Health Care and Social Assistance	172.5	159.1	-7.8%	165.6	164.8	-0.4%	-4.5%	95.5%
Healthcare	58.7	57.4	-2.2%	57.0	57.1	0.2%	-1.7%	97.2%
Leisure and Hospitality	34.5	29.2	-15.4%	33.7	34.3	1.8%	-1.7%	92.2%
Accommodation and Food Services	61.9	27.1	-56.2%	64.6	64.2	-0.5%	-28.6%	79.4%
Other Services	29.0	19.2	-33.8%	26.7	26.8	0.4%	-14.5%	89.0%
Government	101.1	105.6	4.5%	107.3	107.3	0.0%	0.2%	106.2%
Federal Government	31.0	31.1	0.3%	31.7	31.7	0.0%	2.3%	102.2%
State Government	10.9	10.6	-2.8%	10.5	10.5	0.0%	-3.7%	96.3%
Local Government	60.2	63.9	6.2%	65.1	65.1	0.0%	-0.2%	99.8%

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**While office workers continue work remotely & firms pay rent
Actual office occupancy about 35-40%
Smaller firm = higher occupancy**



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**But office vacancy trending up: -887,394 sf = 18.3% vacant
Up from 11% at start of 2020**

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)	Q4 ASKING RENT (PRICE/SF)	Q1 VACANCY RATE	Q2 VACANCY RATE	Q3 VACANCY RATE	Q4 VACANCY RATE	YEAR-TO-DATE ABSORPTION (SF)	YEAR-TO-DATE VACANCY (SF)
East Market	6,331,084	\$32.89	\$32.66	\$32.20	\$32.15	15.7%	15.7%	18.9%	18.9%	-22,773	1,683
Independence Square	5,380,384	\$31.96	\$31.72	\$31.59	\$31.30	16.8%	18.8%	20.1%	17.9%	117,992	-46,672
Walnut/South Broad	3,977,064	\$30.99	\$30.49	\$30.53	\$30.70	21.6%	22.1%	21.1%	20.8%	13,145	-58,752
West Market	24,794,953	\$35.93	\$36.03	\$35.97	\$35.83	15.3%	17.3%	17.7%	17.8%	-15,648	-783,653
Center City	40,485,485	\$34.44	\$34.39	\$34.26	\$34.15	16.2%	17.7%	18.5%	18.3%	92,716	-887,394

Source: Newmark Philadelphia Office Market reports

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January survey of 114 firms

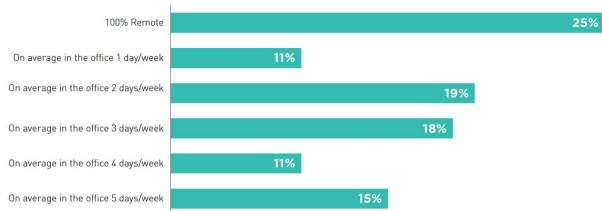


PROFILE OF RESPONDENTS

NUMBER OF EMPLOYEES	NUMBER OF FIRMS
10 or less	20
11-25	25
26-50	21
51-100	13
101-200	13
201-999	10
1000 or more	6
Did not provide	6
Total	114

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What is your office's current pattern of work?



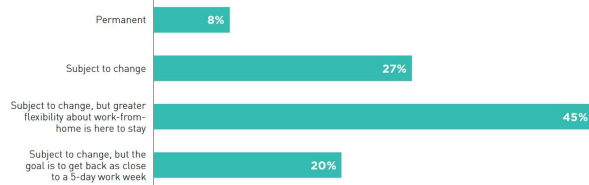
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During the first quarter of 2022, what is your planned stance regarding in-office work?



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Are you considering these changes as permanent or subject to revision in the coming year as conditions change?



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Major factors for continuing remote

	RANK	WEIGHTED AVERAGE
Continuing health safety concerns due to COVID-variants	1	3.7
Ability to retain existing employees and attract new ones	2	3.1
Continuing uncertainty about schools and child-care for parents	3	3.0
Concerns about public safety and quality of life in Philadelphia	4	2.8
The ease at which staff adapted and made use of virtual technologies	5	2.6
Concerns the business climate/business friendliness in Philadelphia	6	2.3
Flexibility enjoyed by senior management with remote work	7	2.2
Time and cost saved through greater use of virtual meetings	8	2.2

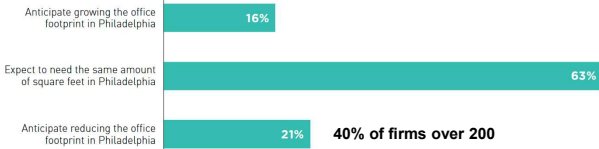
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Major advantages of in-office work

	RANK	WEIGHTED AVERAGE
Value of face-to-face meetings for collaboration with colleagues	1	3.6
Better ability to supervise and mentor staff & convey company culture	2	3.2
Professional development for all staff	3	3.1
Face-to-face meetings with clients	4	2.8
Ability to focus on work, fewer distractions than at home	5	2.3
Access to technology and IT staff for troubleshooting	6	2.0
Variety of restaurants available nearby for informal staff & client meetings	7	1.7

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Based on your anticipated workplace location policies for 2022, what are your expected needs regarding real estate in Center City or University City Philadelphia?



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New life-sciences & biotech lab space drivers of new demand, primarily in University City



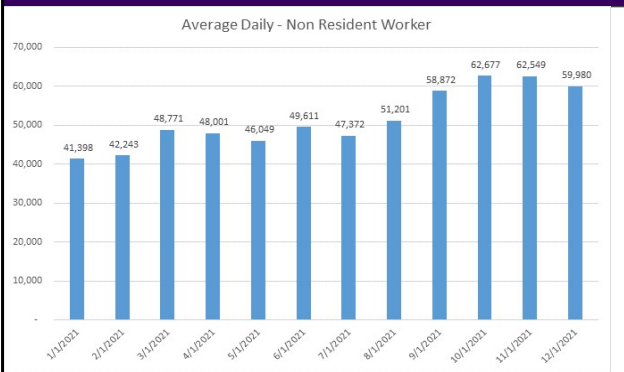
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Notable, but not substantial in Center City



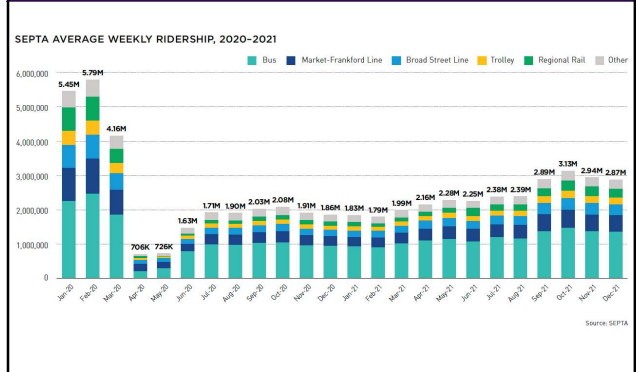
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**Office workers returning to Center City steadily climbed:
Up 32% from July- October 2021; tapered off December**



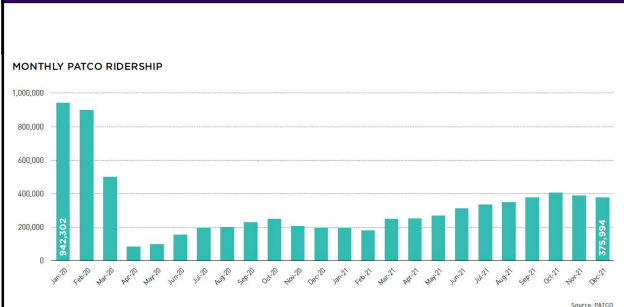
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**SEPTA ridership up 31% August-October;
Tapered off at year end to 50% of February 2020**



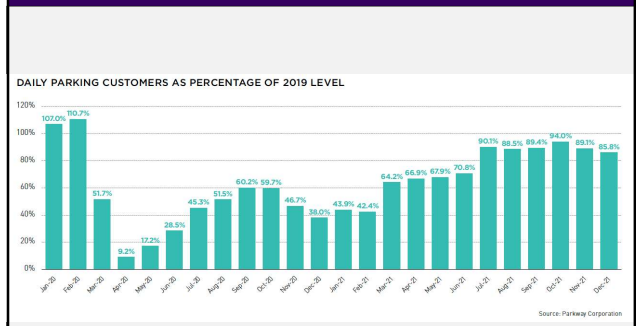
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**PATCO ridership also rose in fall; tapered off at year end
December 2021 at 42% pre-pandemic levels**



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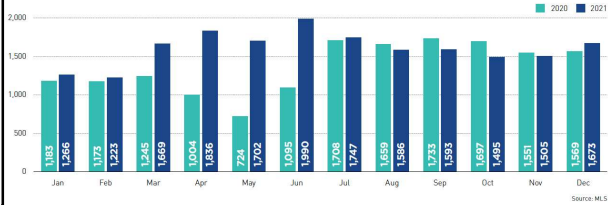
Parkway Center City garages (85.8%): weekends strongest



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Citywide volume of home sales remained strong

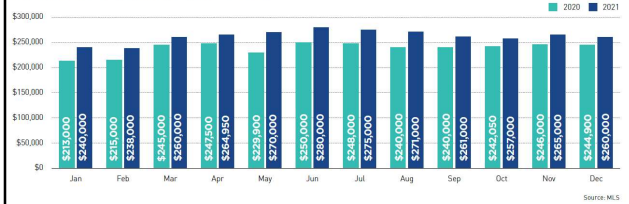
PHILADELPHIA RESIDENTIAL SALES



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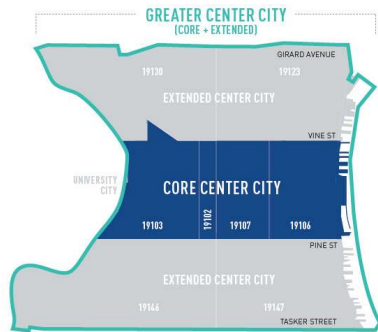
Sales prices continued to exceed 2020 No flight from the city

PHILADELPHIA MEDIAN RESIDENTIAL SALE PRICE



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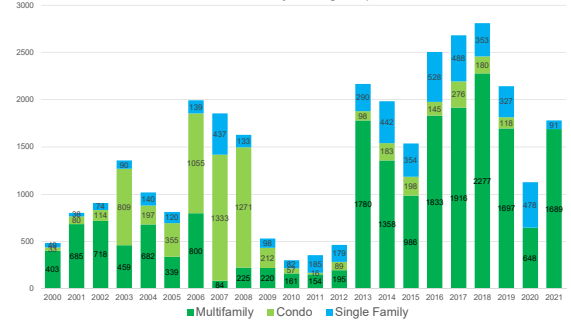
Focusing on residential Center City Core Center City 4 zip codes: Vine to Pine Streets; Extended CC; 4 zip codes: Vine to Girard; Pine to Tasker



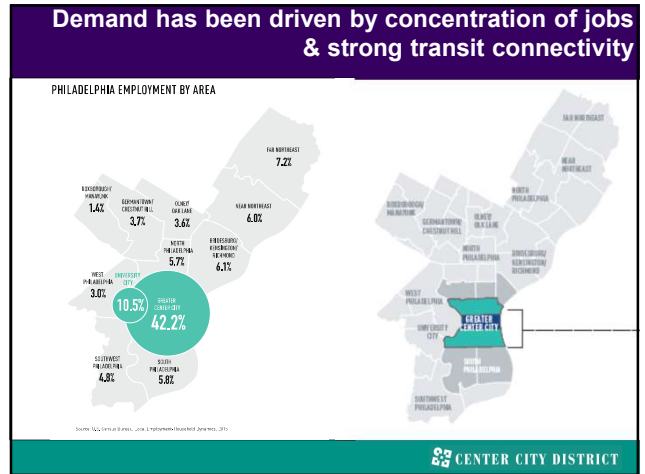
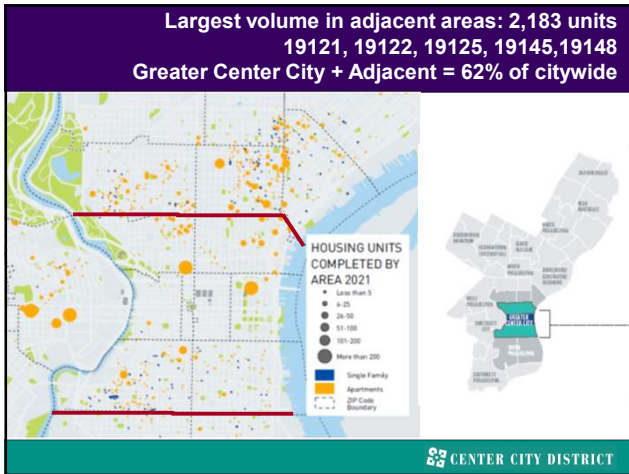
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Greater Center City rebounded from 2020 1,780 units completed in 2021

Greater Center City Housing Completions



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19 story Specialty Care Pavilion



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Parkway building 2222 Market for Morgan Lewis



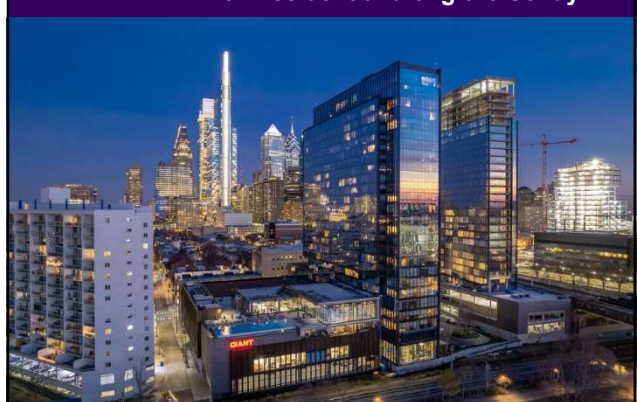
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Topped out

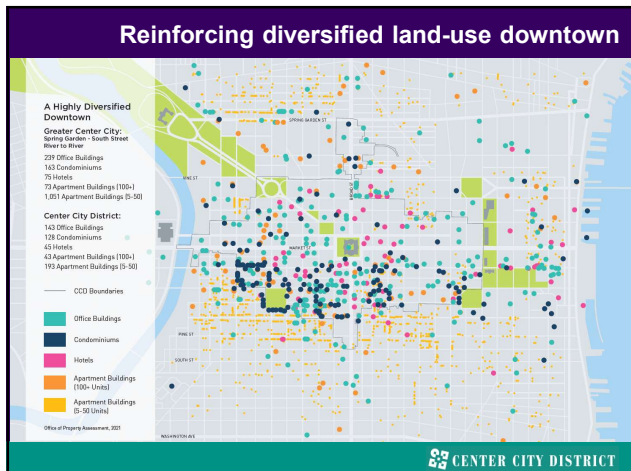


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PMC: New residential along the Schuylkill



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Streeteries great sign of vitality through the pandemic



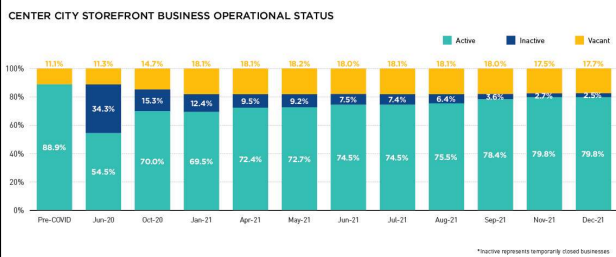
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An essential lifeline through the winter



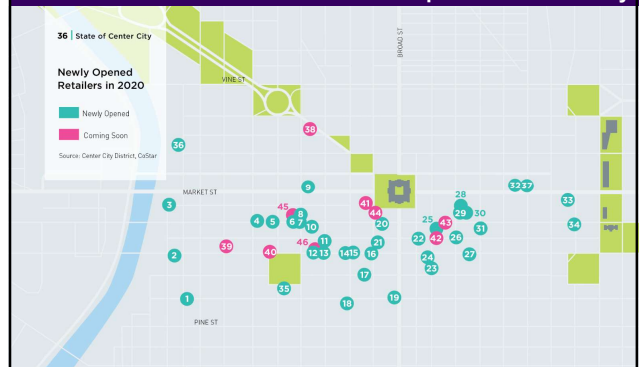
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80% of all retailers & restaurants are open Temporary closures dramatically declined Vacancy 11.1% pre-pandemic; 17.7% in December 2021



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Between March 2020 & December 2021, 125 new retail businesses opened in Center City



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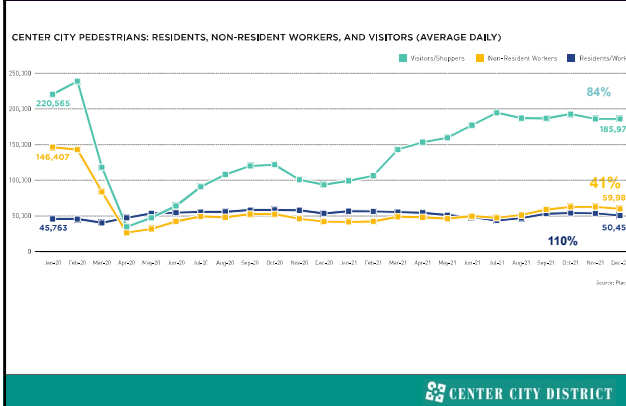
28 new business plan to open in 2022



All these businesses depend on foot traffic

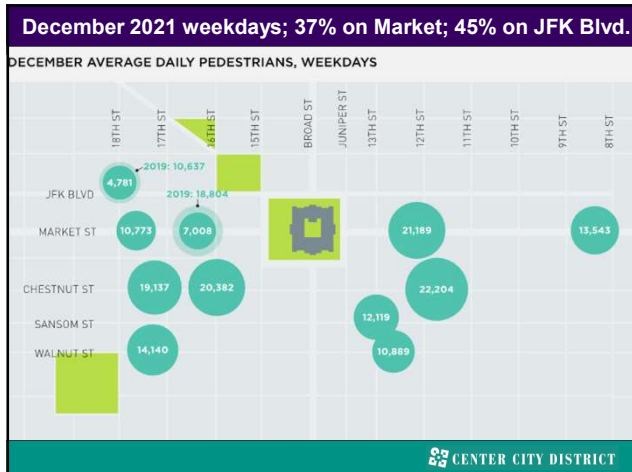


Visitor & shopper pedestrian volumes @ 84%; Residents @ 110% Workers at 41% of pre-pandemic levels



Average daily pedestrians across Center City in 2019: 428,634 Average in 2021: 238,749 = 62.5%

2019 Average daily counts		
Visitors (tourists and regional shoppers)	238,749	
Workers	147,021	(87,000 short)
Residents	42,834	
Total	428,634	

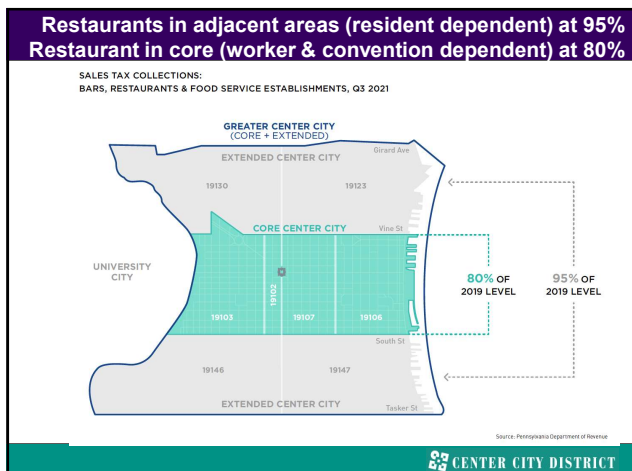


**What other jobs are lost if office workers don't return?
Those who don't have the option to work remotely**

Every 500,000 square feet of occupied office space:

- Provides 3,333 office jobs, 5 building engineering, 18 cleaning and 12 security positions.
- Supports 11,000 hotel rooms filled with business travelers
- Generates \$2.8 million in retail demand
- Hair & nail salons, shoemakers dry-cleaners, delis & restaurants

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**For those concerned about ground floor restaurants closed in office bldgs
You can solve the riddle on the right by coming back to work**

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When urging firms to come back Mayor Adams 'You can't run NYC from home'

DAILY NEWS



The absence of higher wage workers undermines the economic eco-system that support lower & moderate wage workers who don't have the luxury of working remotely

We need business leaders to call their peers; it is good for your business & good for the city.

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Let's acknowledge & celebrate Philadelphia's level of fully vaccinated residents



65 & older	= 89.7%
18 & over	= 77.2%
12-17	= 75.9%
5-11	= 71.1%

Boosters widely distributed

Break-through cases have been like a typical annoying flu

Covid not eliminated, but it can Coped with like a seasonal flu

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Performing arts institutions successfully reopened

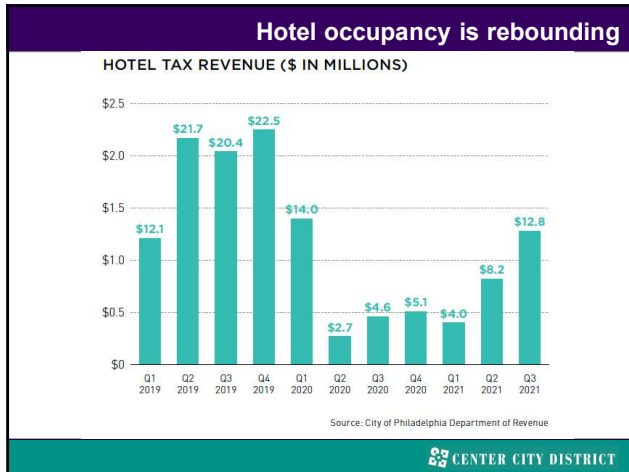


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Conventions & trade shows are coming back



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40 Community Service Representatives Deployed 7 days per week



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Ambassadors of Hope: CCD funds Project Home & CIT trained police 108 individuals accepted services & came off street in 2021 Average 61 interactions & conversations each day + compliance Added one mental health professional Penn Medicine at Hall Mercer



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Added a new CCD Bike Safety Patrol

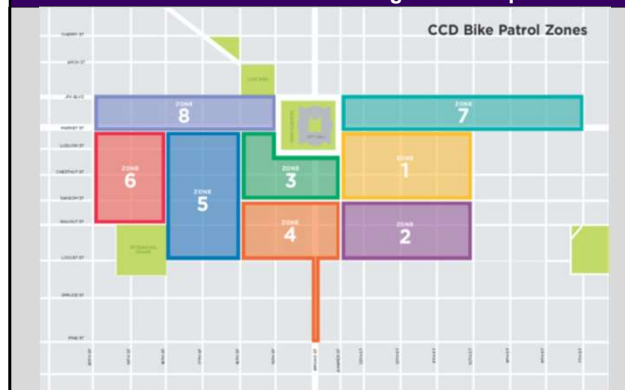
Support return of office workers with visible uniformed safety officers during lunch and heavy presence during evening rush hours.

Overall goal: improve the perception & reality of safety within the district.



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Eight defined patrol beats



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15 bike officers, 7 days/week
11 am to 7pm



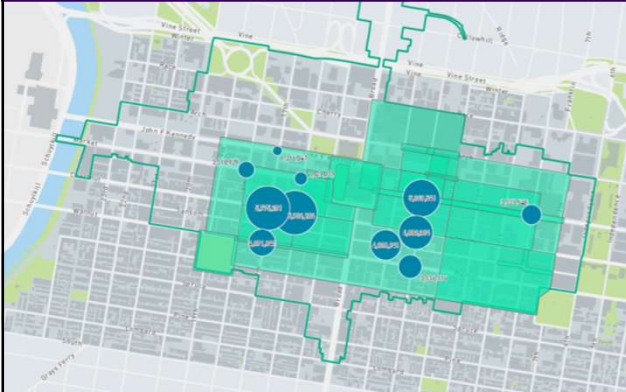
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Closely coordinated with additional police deployment:
Bikes, new foot patrol beats, return to community policing



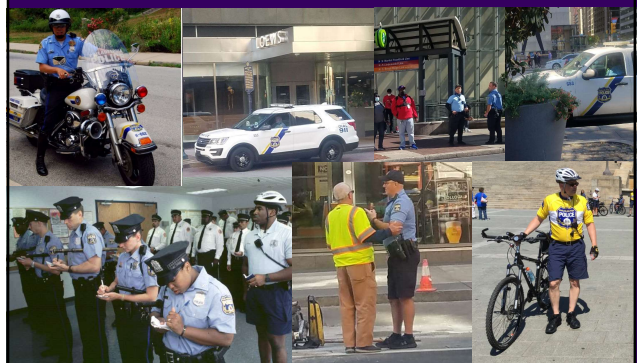
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New foot beats coordinated with pedestrian counts



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Increased & coordinated public safety presence



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**CCD Foundation + brokers & owners funded 81 planters
& holiday decorations on Walnut from Broad to 18th Street**

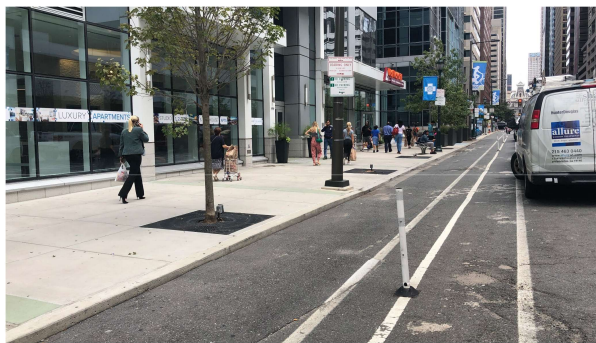


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**Funded projects in the pipeline
Greening the office district: 15th to 20th Street**



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**1900 BLOCK MARKET STREET
VIEW B: EXISTING CONDITIONS**

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**1900 BLOCK MARKET STREET
VIEW B: PROPOSED SIDEWALK PLANTERS**

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We continued to program our four parks



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Arts, culture, programming for children



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Attracted 7,089,205 visitors to Dilworth Park in 2021 (70% of 2019)

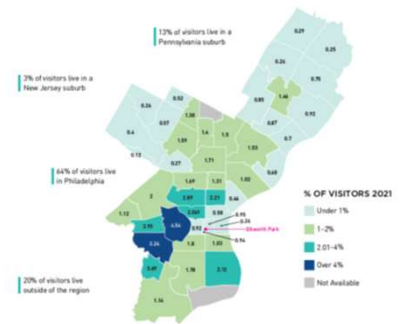


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Came from every neighborhood in the city

PERCENT OF VISITORS TO DILWORTH PARK BY HOME ZIP CODE

Dilworth Park attracted residents from neighborhoods throughout the city and across the region in the first 11 months of 2021.



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Accelerating the Safe Return to Office

Office buildings: most dense containers of most diverse jobs

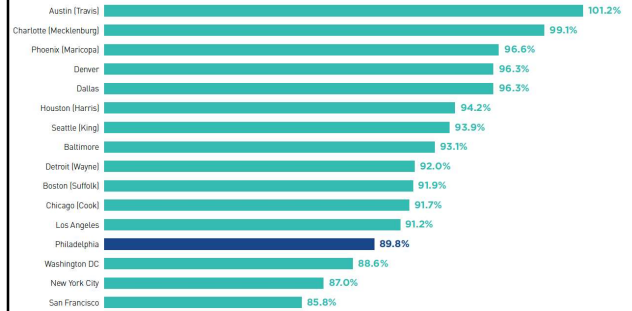
Driver of many other jobs in ecosystem they support



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Philadelphia's recovery has been slow

PRIVATE EMPLOYMENT IN JUNE 2021 AS A PERCENT OF DECEMBER 2019, MAJOR URBAN COUNTIES



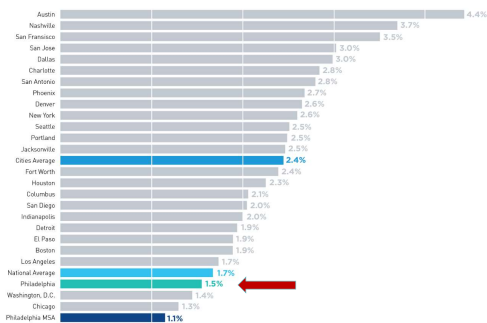
Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

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Philadelphia was one of slowest growing major cities

Now is the moment to get things right

AVERAGE ANNUAL PERCENT CHANGE IN PRIVATE SECTOR JOBS, 2009-2019



Source: Bureau of Labor Statistics, Current Employment Statistics

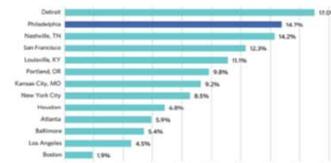
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City recognized vulnerability due to wage & BIRT dependency

Including this chart in their briefing for the 5-year plan in 2021

Philadelphia Faced Large Shortfall Before ARP

Figure 1
Cities' Projected General Fund Budget Shortfall for 2021
As percentage of fiscal year 2020 expenditures



Note: Officials in Los Angeles originally projected a shortfall of \$200 million to \$400 million. The estimate used in this analysis was \$300 million, the midpoint of the original range. Nashville's projected budget shortfall is for the city's entire operating budget. In addition to the pandemic, Nashville experienced a tornado in March 2020, further affecting revenues.

Sources: Pew analysis of city budget documents, media articles, and interviews with budget officials.
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Why is Philadelphia faring worse than most other cities?

- Heavy reliance on income taxes (not property taxes)
- Heavy reliance on non-residents
- Limited reserves

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We have known the problem for decades Pandemic is a wake-up call

- Philadelphia has one of the highest wage taxes of any American city; tax is almost 4 x any comparable income tax in surrounding suburbs.
- Wage tax takes disproportionate share from the salaries of lower income workers & because 35% to 40% of the working residents of every City Council district currently reverse commute to jobs in the suburbs, it creates an incentive for the working & middle class to move closer to their suburban job & get a significant wage tax cut.
- Creates an incentive for suburban workers to remain remote
- Philadelphia is only major city with a business tax on both gross receipts & net income of businesses. Tax has no counterpart in adjacent counties & adds a 20% to 50% premium on the cost of locating in the city, creating a disincentive for businesses to locate in Philadelphia.

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Now is also a moment to capitalize on our strengths & attract new businesses



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Promoting Philadelphia in Manhattan Quality of workspace & amenities

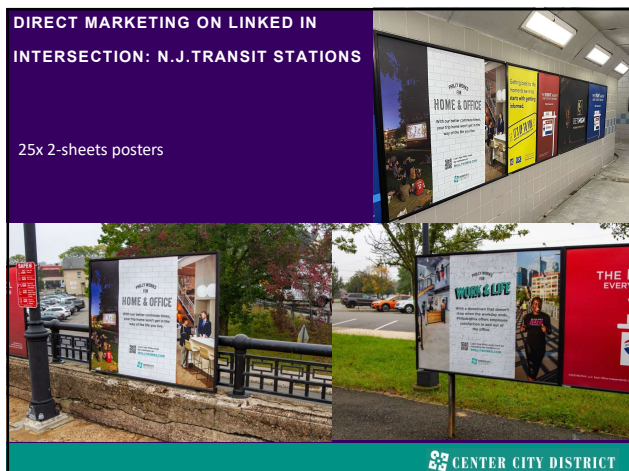
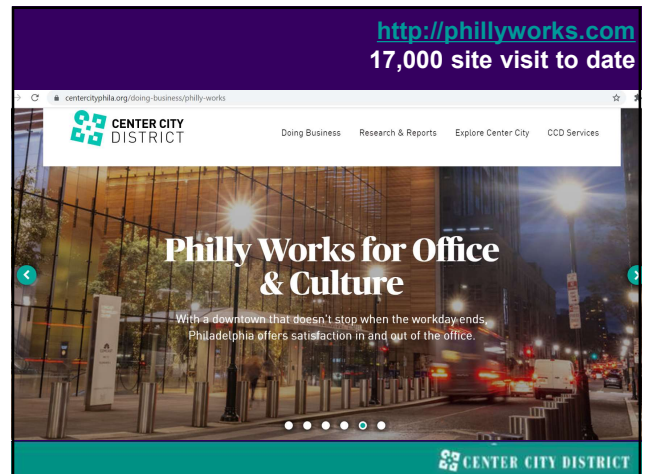
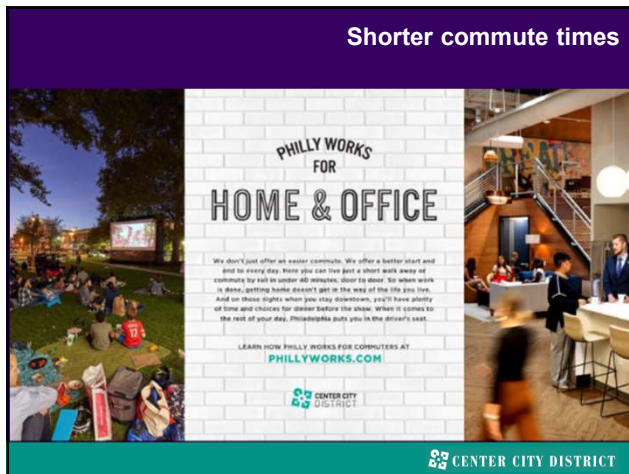


 CENTRAL PHILADELPHIA
DEVELOPMENT CORPORATION

Better work/life balance



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Audiences are returning to the Kimmel Center



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Fans returned to the Linc



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So what's the problem with offices
Where safe social distancing is far easier to achieve?



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We need to come out of our Zoom foxholes
& restore a sense of civic commitment to the city



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Recovery of entire city depends on accelerated return
www.centercityphila.org



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