



CENTER CITY REPORTS | MARCH 2022

Positive Signs of Philadelphia's Economic Recovery

After the chilling effects of weather and the Omicron variant in January, Center City showed promising signs of recovery in February. The average daily number of pedestrians downtown, based on Placer.ai data, increased by 22% from January to more than 300,000, 71% of pre-pandemic volumes. Most significantly, the number of non-resident workers reached the highest point since March 2020, 47.5% of pre-pandemic levels, as the number of regional visitors, shoppers, tourists and local residents downtown also increased.

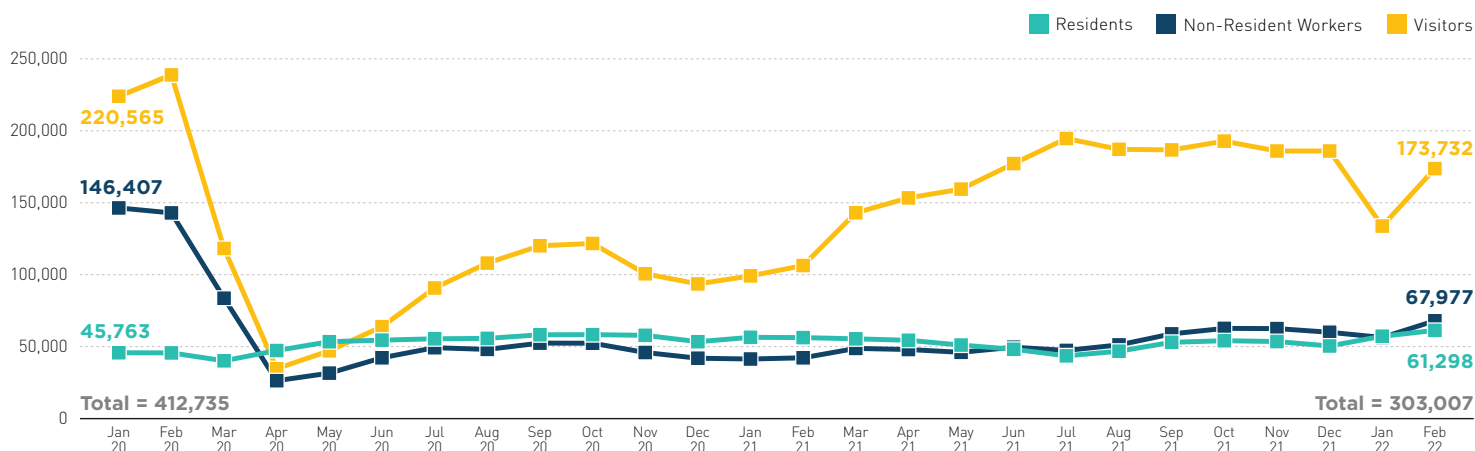
Restored pedestrian vitality drove retail recovery. Immediately following the civil unrest in June 2020, 34% of stores within the Center City District boundaries were shuttered. By February 2022, the percent of businesses temporarily closed fell to just 2.4%. While vacancies are still higher than pre-pandemic, the volume of leasing and of new openings is accelerating, with 81% of storefronts either open for business or having obtained tenants. New openings are announced weekly.

Local tax collections were strong in the fourth quarter of 2021. Wage and earnings tax revenue increased 14% over the prior year – the first quarterly increase since the start of 2020. Fourth quarter local sales tax revenue increased 16%, the third consecutive quarterly increase. Hotel tax also continued its upward trend.

By the end of January 2022, the city recovered 95.2% of the jobs it held in January 2020, while the 11-county region had restored 97.4% and the nation as a whole had recovered 98.4%. This is very encouraging news. Still, the city's relatively slow rate of recovery translates into a significant number of missing jobs: If Philadelphia had restored lost jobs at the same pace as the region, there would have been 16,500 more payroll positions in the city in January. If its recovery had tracked the nation, there would have been 23,800 additional jobs in Philadelphia.

The city's greatest job losses remain in leisure, hospitality and restaurants, all sectors that depend on face-to-face interaction. While job losses in the office sector, health care and education are less severe, remote work diminished the vitality of downtown, depressed city tax revenues and eliminated many jobs supported by the 300,000 workers who walked, biked or commuted into the downtown each day at the beginning of 2020. The more business, civic and political leaders factor into their decision-making their impact on the ecosystem that links together high, moderate and lower wage positions downtown, the sooner Philadelphia can achieve more inclusive recovery and more robust growth.

CENTER CITY PEDESTRIANS: RESIDENTS, NON-RESIDENT WORKERS, AND VISITORS (AVERAGE DAILY)



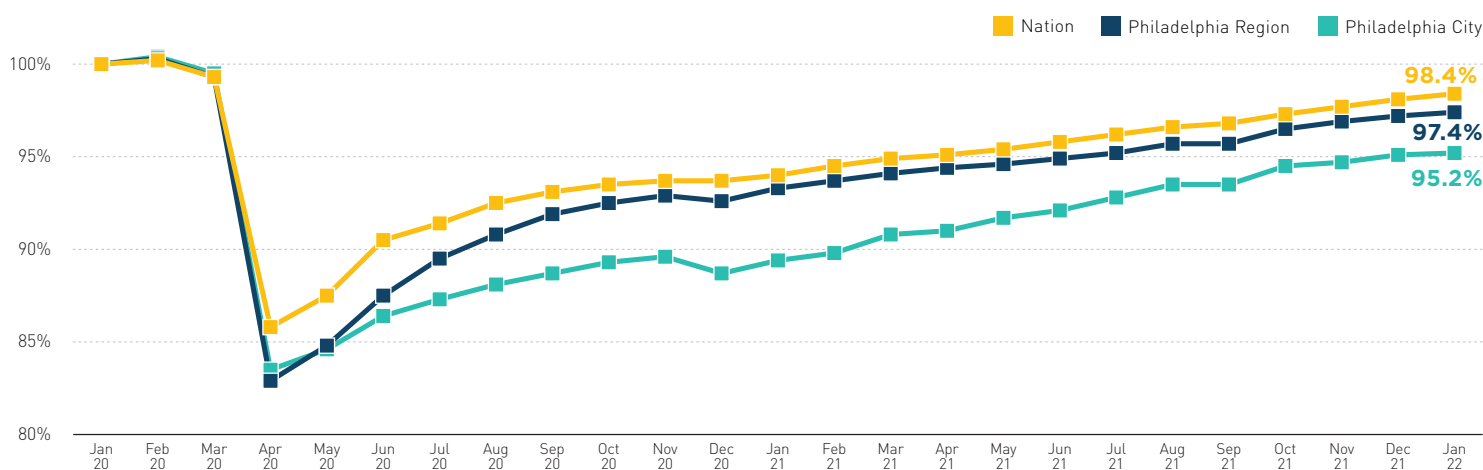
Source: Placer.ai

EMPLOYMENT

Based on detailed information available from the Quarterly Census of Employment and Wages (QCEW), private sector employment in Philadelphia declined 7.1% from September 2019 to September 2021, a smaller decline than in New York, which lost 9.7% of private sector jobs during this period, and Washington, which lost 8.3%. Boston and Atlanta saw smaller declines than Philadelphia, losing 5.1% and 2.6% of private jobs, respectively.¹ Philadelphia's job losses during this period are also greater than in the 11-county Philadelphia region, which declined by 5.0%, and the nation as a whole, which declined by 2.6%.

Philadelphia's job losses by industry vary significantly from these peer cities. In the leisure and hospitality sector, which has seen the largest percentage losses across all cities, Philadelphia's 21.9% decline is below that in Boston, New York and Washington. Philadelphia's percentage losses in construction (5.4%) were lower than in New York and Boston, but greater than in Washington and Atlanta. Losses in manufacturing (2.9%) and wholesale and retail trade (6.0%) were also smaller than in these cities (see page 4).

NONFARM PAYROLL EMPLOYMENT AS A PERCENTAGE OF JANUARY 2020 (SEASONALLY ADJUSTED)

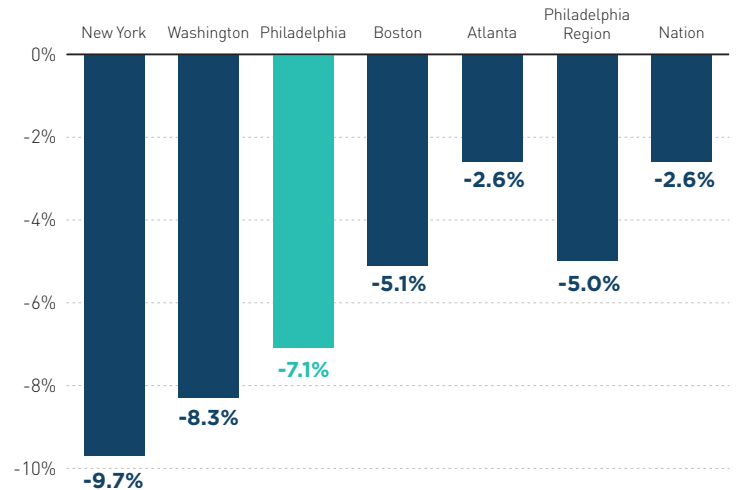


Source: Bureau of Labor Statistics, Current Employment Statistics

¹ The more detailed QCEW data is based on actual employment, not surveys of employers, which is the basis for Bureau of Labor Statistics (BLS) Current Employment Statistics data. QCEW is only available through September 2021 and only for counties. The Boston data thus reflects trends in Suffolk County, which includes Boston, and in Fulton County, Georgia, which includes Atlanta. These counties are moderately larger than their cities and trends within the county only approximate trends within the cities. But it is important to add that Boston city has a much higher density of jobs than its region, while its density of businesses almost equals its suburbs. Atlanta not only has double the job density in the city than in its suburbs, business density in the city is 40% higher than its region. By contrast Philadelphia's business density is 30% lower than the region and its jobs density is 8.3% lower. Overall, business and job density in Philadelphia is substantially lower than in the cities of Boston, New York, Washington and Atlanta. What this means is that opportunities for employment in these cities were all significantly higher than in Philadelphia before the pandemic. If all five cities were to recover 100% of lost jobs, there would still be a larger opportunity gap in Philadelphia because of the lower number of accessible jobs within the city prior to the current downturn. A Small Down Payment on Growth
<https://centercityphila.org/research-reports/a-small-down-payment-on-growth>

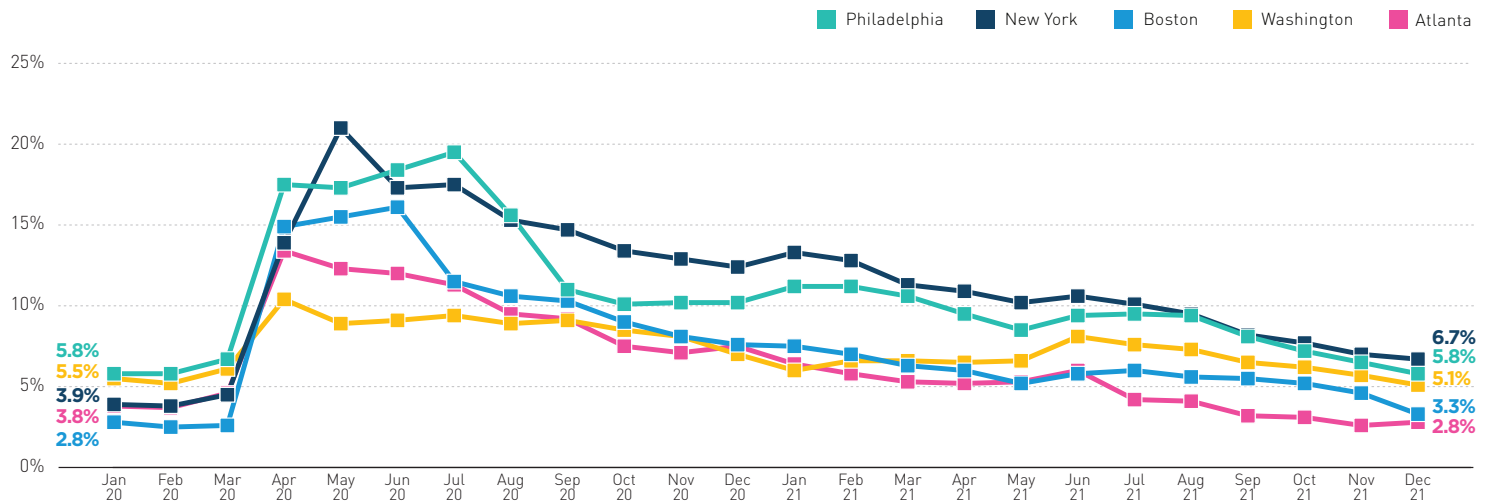
Job losses in Philadelphia's largest employment sector – education and health services (3.4%) – were less than in Washington, but greater than Atlanta, Boston and New York. In our second largest employment sector – professional and business services – employment declined 3.9%, less severe than New York but greater than the other three cities. Because of the size of these major employment sectors, small proportional declines still reflect a significant number of lost jobs: 3,800 professional and business services jobs and 7,600 in education and health services. The city's losses in information and financial activities were significantly larger than in the four peer cities and because many of these skew toward higher wage positions, the impact of their loss, combined with their remote status, had an adverse effect on many jobs that depend on their presence.

PERCENTAGE CHANGE IN PRIVATE EMPLOYMENT, SEPT. 2019 – SEPT. 2021



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

MONTHLY UNEMPLOYMENT RATE, MAJOR CITIES



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

UNEMPLOYMENT RATE

After peaking at 19.5% in July 2020, the unemployment rate steadily declined to 5.8% in December 2021. While this is the same rate as in February 2020, prior to the pandemic, it is based on a substantially lower number of employed Philadelphians. The number of employed city residents dropped from 694,700 in February 2020 to 639,800 in December 2021, a decline of 55,000 or 8%. The labor force, which includes the employed and those actively looking for work, declined by 58,000 during this period. Many more residents can be drawn into the labor force as job recovery continues, but it may take some time before the number of employed residents reaches the pre-pandemic level. It will also take time to sort out the difference between those who chose to retire, those who may have temporarily left the labor force but will likely come back, and those who have disconnected from salaried positions, but found other sustainable ways to support themselves.

Philadelphia's 5.8% unemployment rate in December was below New York's 6.7%, but higher than in Atlanta (2.8%), Boston (3.3%), and Washington (5.1%).

At the regional level, where payroll jobs have been restored more quickly than in the city, the number of employed residents declined by only 4% from February 2020 to December, half the rate experienced in the city.

PRIVATE SECTOR EMPLOYMENT BY INDUSTRY IN MAJOR CITIES, SEPT. 2019 – SEPT. 2021

	ATLANTA	BOSTON	NEW YORK	PHILADELPHIA	WASHINGTON
Construction					
September 2019	20,505	16,786	158,864	12,167	14,843
September 2021	21,061	15,714	137,692	11,513	14,984
Percent Change	2.7%	-6.4%	-13.3%	-5.4%	0.9%
Manufacturing					
September 2019	27,076	9,034	64,798	18,960	1,356
September 2021	26,186	8,590	53,583	18,403	N
Percent Change	-3.3%	-4.9%	-17.3%	-2.9%	N
Wholesale and Retail Trade					
September 2019	99,010	50,842	471,456	62,380	28,400
September 2021	91,667	44,696	404,088	58,644	25,009
Percent Change	-7.4%	-12.1%	-14.3%	-6.0%	-11.9%
Transportation and Warehousing					
September 2019	40,864	21,794	N	26,134	2,747
September 2021	48,308	18,157	N	24,123	2,085
Percent Change	18.2%	-16.7%	N	-7.7%	-24.1%
Information					
September 2019	55,531	21,524	205,316	11,253	20,160
September 2021	60,061	23,635	218,262	9,063	19,660
Percent Change	8.2%	9.8%	6.3%	-19.5%	-2.5%
Financial Activities					
September 2019	83,264	82,324	473,332	39,720	27,453
September 2021	87,508	79,698	451,447	37,657	26,209
Percent Change	5.1%	-3.2%	-4.6%	-5.2%	-4.5%
Professional and Business Services					
September 2019	230,016	137,891	761,155	96,449	170,975
September 2021	225,086	138,295	682,904	92,662	167,453
Percent Change	-2.1%	0.3%	-10.3%	-3.9%	-2.1%
Education and Health Services					
September 2019	113,221	188,123	976,504	226,890	115,811
September 2021	110,507	189,736	954,221	219,252	109,988
Percent Change	-2.4%	0.9%	-2.3%	-3.4%	-5.0%
Leisure and Hospitality					
September 2019	102,817	77,420	468,340	78,733	82,488
September 2021	83,077	58,594	337,268	61,492	58,801
Percent Change	-19.2%	-24.3%	-28.0%	-21.9%	-28.7%
Other Services					
September 2019	25,686	22,923	177,690	24,194	73,551
September 2021	23,203	19,380	150,101	21,872	67,836
Percent Change	-9.7%	-15.5%	-15.5%	-9.6%	-7.8%
All Industries					
September 2019	803,661	630,294	3,917,133	598,474	540,140
September 2021	783,137	598,182	3,538,108	556,204	495,481
Percent Change	-2.6%	-5.1%	-9.7%	-7.1%	-8.3%

Note: Manufacturing data for New York City exclude Richmond County (Staten Island) due to non disclosure of data
 *N is shown where data are not disclosed.
 Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

OFFICES

The overall vacancy rate in the Center City office market rose from 13% in 2018 to 18.5% in the third quarter of 2021, but declined slightly in the fourth quarter to 18.3%.² This reflected 92,700 square feet of newly-occupied space within the market in the quarter. Nonetheless, 887,400 square feet was formally vacated by tenants in 2021. On the positive side of the ledger, Lubert Adler will be converting office space at The Bellevue to residential. The fourth quarter also saw some major renewals of existing leases and, if office workers can continue to return to positive experiences, leasing momentum can accelerate.

The average asking rent declined slightly to \$34.15 in Q4. Rents have held steady since the start of the pandemic, despite the increase in vacancy rates and the expansion of available sublease space. Landlords have been reluctant to lower rents but have compensated with concessions such as higher tenant improvement allowances.³ 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.⁴

The more business, civic and political leaders factor into their decision-making their impact on the ecosystem that links together high, moderate and lower wage positions downtown, the sooner Philadelphia can achieve more inclusive recovery and more robust growth.

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	Q4 ABSORPTION (SF)	YEAR-TO-DATE ABSORPTION (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	24,796,953	\$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

2: CCD estimate based on data from Newmark.

3: Newmark, Philadelphia Office Market, Q3 2021.

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

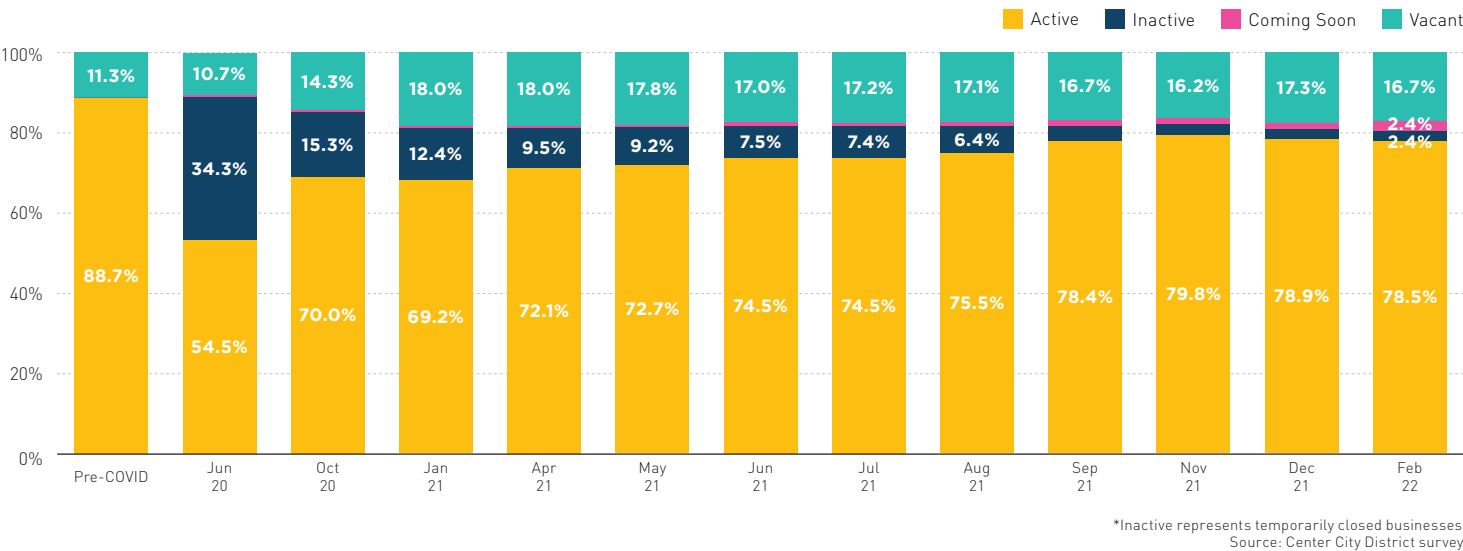
RETAIL AND RESTAURANTS

Since the start of the pandemic, CCD has surveyed the 2,000 storefronts within the District to continually assess the extent to which businesses were open, temporarily closed or vacant. Following civil unrest in June 2020, 34% of all storefront businesses were temporarily closed, but this number declined rapidly to 12% by January 2021 and to just 2.4% in February 2022. Before the pandemic 11.3% of storefronts within the District were vacant. In January 2021, that number had jumped to 18%, but has now declined to 16.7%. The number of storefronts where a new tenant has been obtained has nearly doubled since the end of 2021, representing growing confidence in the Center City market.

From March 2020 to February 2022, the District welcomed 132 new storefront retailers, 70 (53%) of which are food and beverage establishments, 38 (29%) stores, and 24 (18%) service providers. Of these openings, 41% are national brands and 59% are independent businesses or regional chains. New openings are planned throughout 2022.

One positive legacy of the pandemic is the increased availability of outdoor dining options. Seasonal counts of outdoor seats at restaurants in the District consistently ran well above pre-pandemic levels, with numbers in December 2021 only 3% below December 2020 levels despite the full restoration of indoor seating.

CENTER CITY STOREFRONT BUSINESS OPERATIONAL STATUS



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	DEC-21
Sidewalk Cafe	N/A	2,628	2,355	1,549	1,541	1,876	2,284	2,823	3,370	3,566	2,017
Sidewalk Cafe and Streeterly	N/A	2,414	2,148	1,961	1,938	2,191	2,531	2,869	2,547	2,499	1,974
Streeterly Only	N/A	110	196	206	174	339	498	570	634	632	573
TOTAL	2,997	5,152	4,699	3,716	3,653	4,406	5,313	6,262	6,551	6,697	4,564

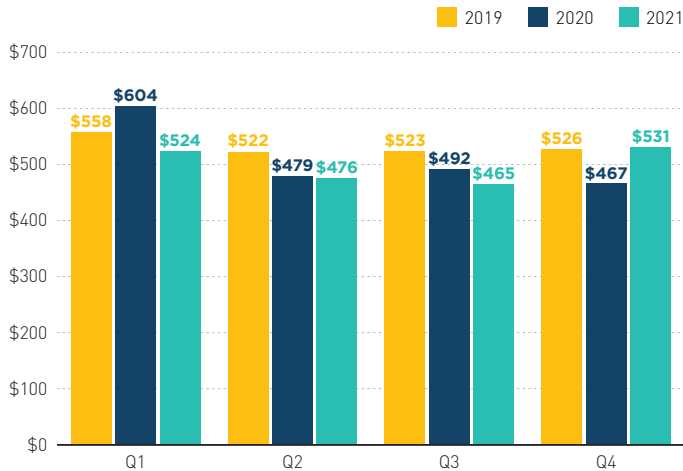
* CCD did not record seating type during first survey.
Source: Center City District survey

LOCAL TAX REVENUE

In addition to their essential role in supporting citywide services, local tax revenues are a key indicator of the health of the local economy. The wage tax provides insight into jobs and wage levels for those employed within the city, living in either the city or suburbs, and those in the city who commute to the suburbs. While wage

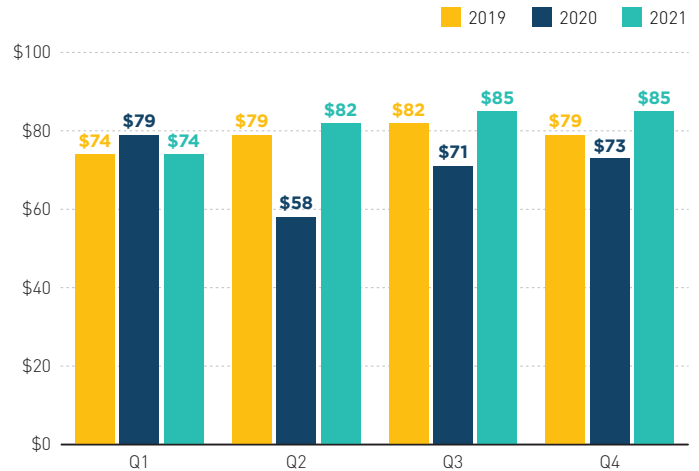
and earnings tax revenue in the fourth quarter of 2021 increased 14% over the prior year and marked the first time since the start of the pandemic that collections increased over the same quarter of the prior year, cumulative collections in 2021 were still 6.3% (\$134 million) below 2019.

WAGE AND EARNINGS TAX REVENUE (\$ IN MILLIONS)



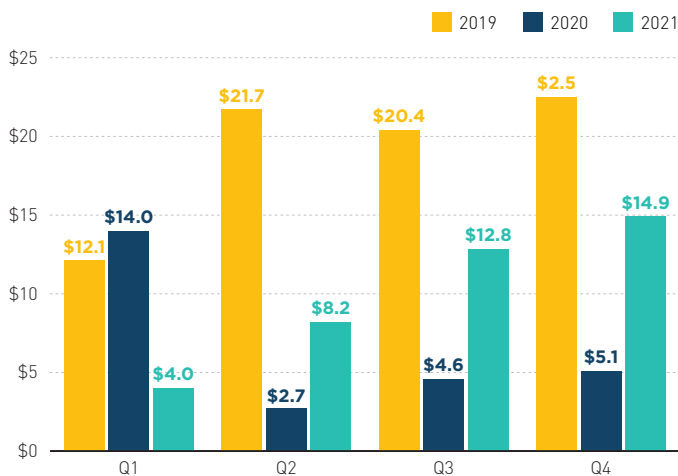
Source: City of Philadelphia Department of Revenue

LOCAL SALES TAX REVENUE (\$ IN MILLIONS)



Source: City of Philadelphia Department of Revenue

HOTEL TAX REVENUE (\$ IN MILLIONS)



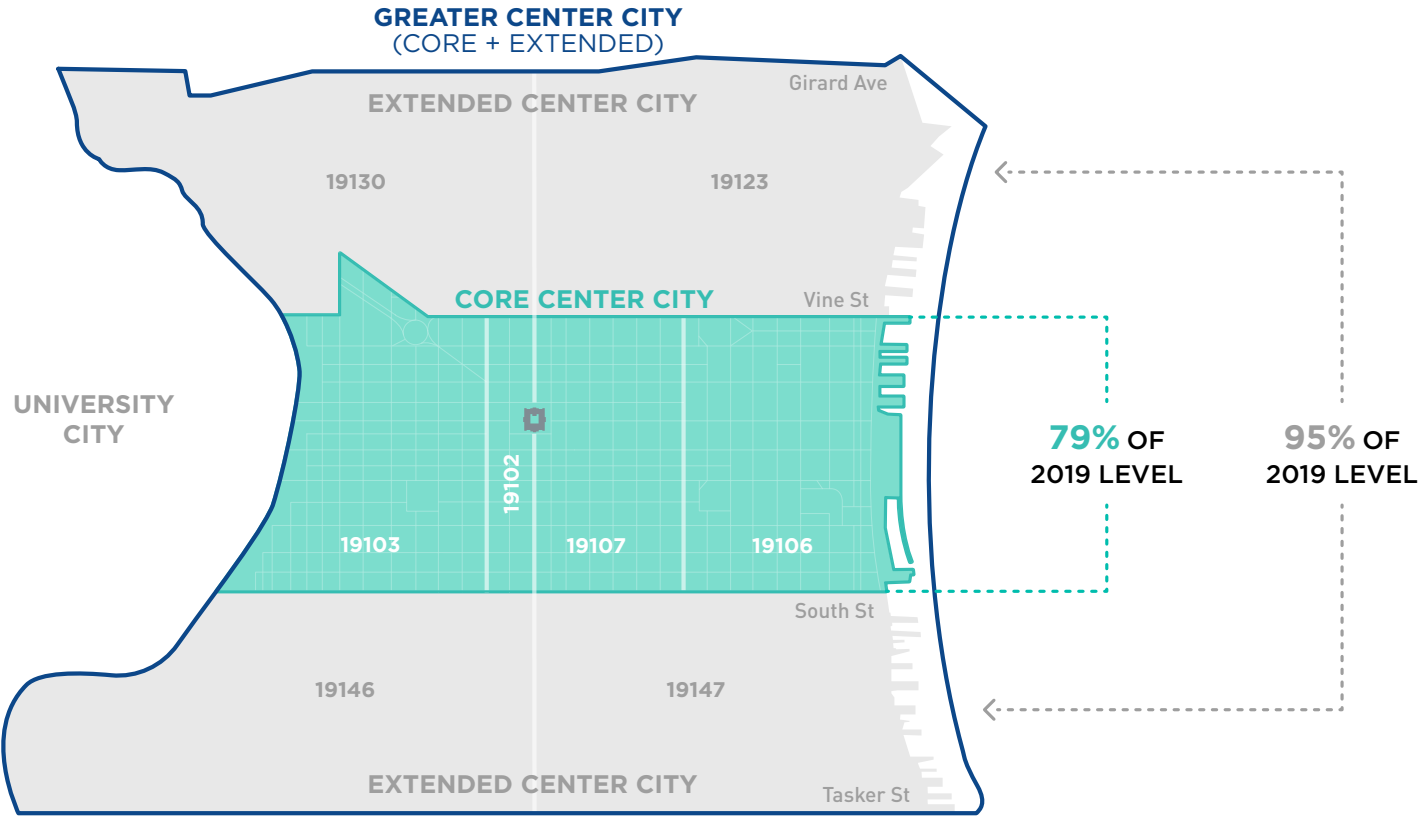
Source: City of Philadelphia Department of Revenue

Hotel tax revenue increased in each quarter of 2021, reaching \$14.9 million in the fourth quarter, nearly three times the level of 2020. But cumulative collections in 2021 were still 30% (\$17 million) below 2019 collections. On a positive front, citywide sales tax collections in the fourth quarter totaled \$85 million, a 16% increase over the prior year, and 8% above the 2019 level. With a steady stream of conventions scheduled throughout 2022, hotel occupancy rates will continue to rise, as will demand for restaurants and retail.

Sales tax collections are available at the ZIP code level for some sectors and provide insight into the pace and location of economic recovery in the retail and food services sector. Greater Center City retailers collected \$1.4 million in local sales tax revenue in the fourth quarter of 2021, 28% higher than in 2020 and 11% higher than 2019.⁵ Bars, restaurants and other food service establishments have been slower to recover, however, with fourth quarter

collections of \$2.7 million, 81% higher than in 2020 but still 16% below 2019. Bar and restaurant volumes within core Center City, usually supported by office workers and convention attendees, were down 21% in the fourth quarter compared to 2019, while collections in the surrounding four ZIP codes of extended Center City, were down only 5% because they are more locally reliant and demand was boosted on weekdays by those working remotely.

SALES TAX COLLECTIONS: BARS, RESTAURANTS & FOOD SERVICE ESTABLISHMENTS, Q4 2021



5: 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, florists, office supplies, stationery, and gift stores, and other miscellaneous store retailers.

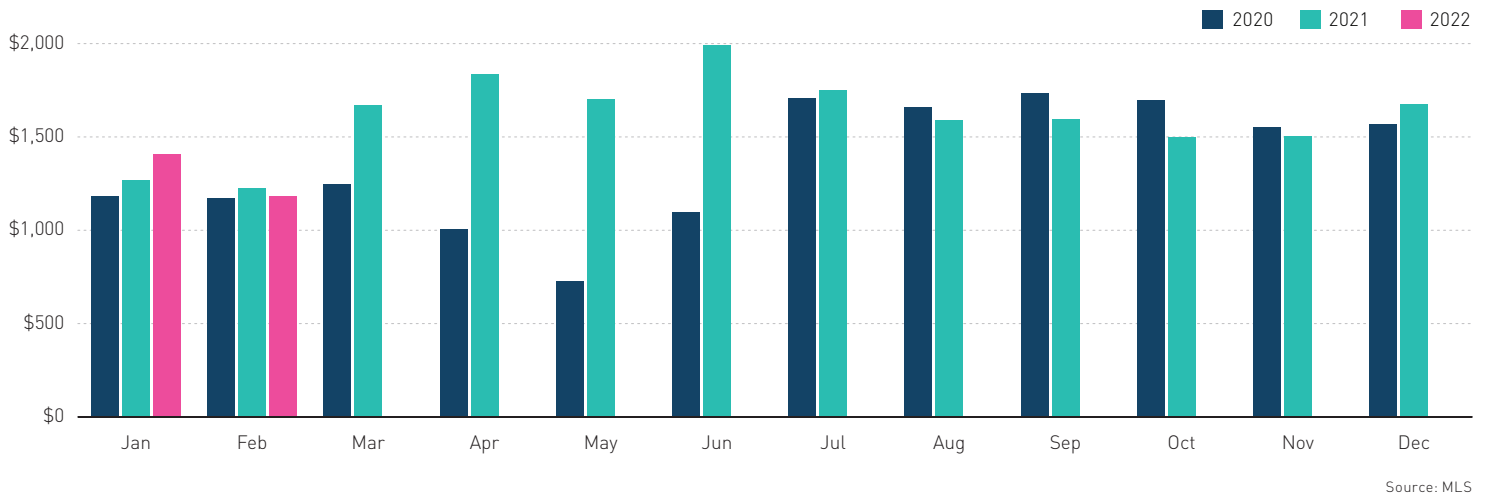
HOUSING

The Philadelphia housing market has been remarkably strong since the start of the pandemic, with generally increasing sales volumes and prices. There were 19,285 housing units sold in 2021, according to MLS, an 18% increase over the prior year, reflecting the decline in sales in the early months of the pandemic. In January 2022, 1,407 city homes were sold, an 11% year-over-year increase, while in February there were 1,179 sales, down 4% from the prior year. Median home sale prices in each month of 2021 exceeded the level of the same month in the prior year, and the trend has continued into 2022. In February, the median sale price of \$249,900 exceeded the previous year by 5%.

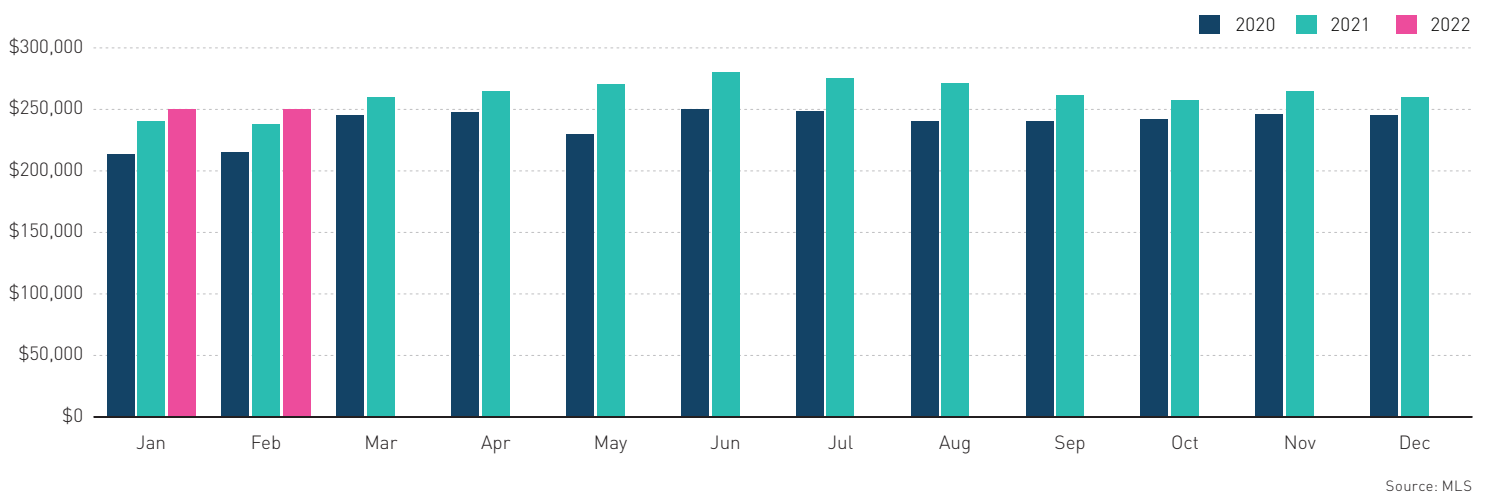
Rental rates also quickly rebounded in both Center City and citywide and outperformed many peer cities.

For more information on the city's housing market, see CCD/CPDC's 2022 housing report, available at: centercityphila.org/research-reports/report-the-center-holds-residential-resiliency-2022

PHILADELPHIA RESIDENTIAL SALES



PHILADELPHIA MEDIAN RESIDENTIAL SALE PRICE



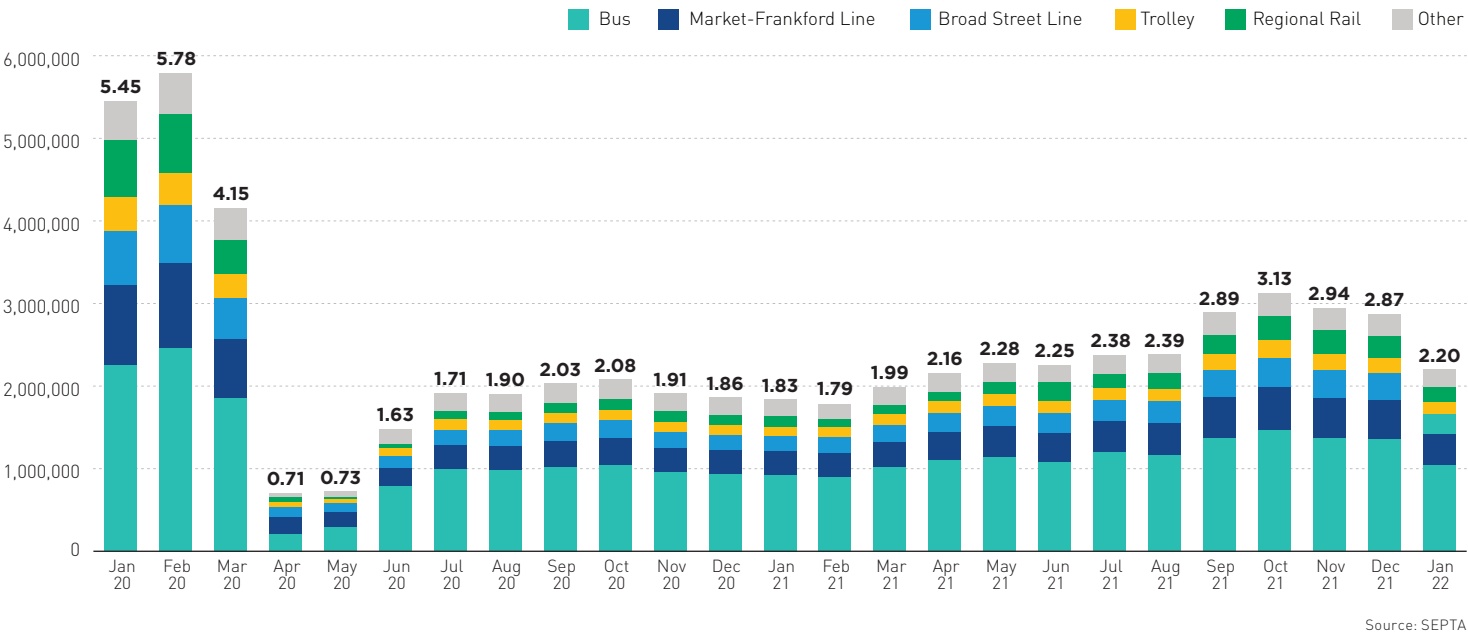
PUBLIC TRANSIT

After increasing consistently through October in 2021, SEPTA ridership declined for the next three consecutive months. Average weekly ridership fell 23% between December and January, likely reflecting the impact of the Omicron variant and more remote work. On a percentage basis, the largest drop was on the Regional Rail system, which declined by 32%. Other components of the transit system saw smaller declines: the Market-Frankford Line and Broad Street Line were down 24%, City Transit Division buses down 23%, trolleys down 22%, and all other services down 20%.

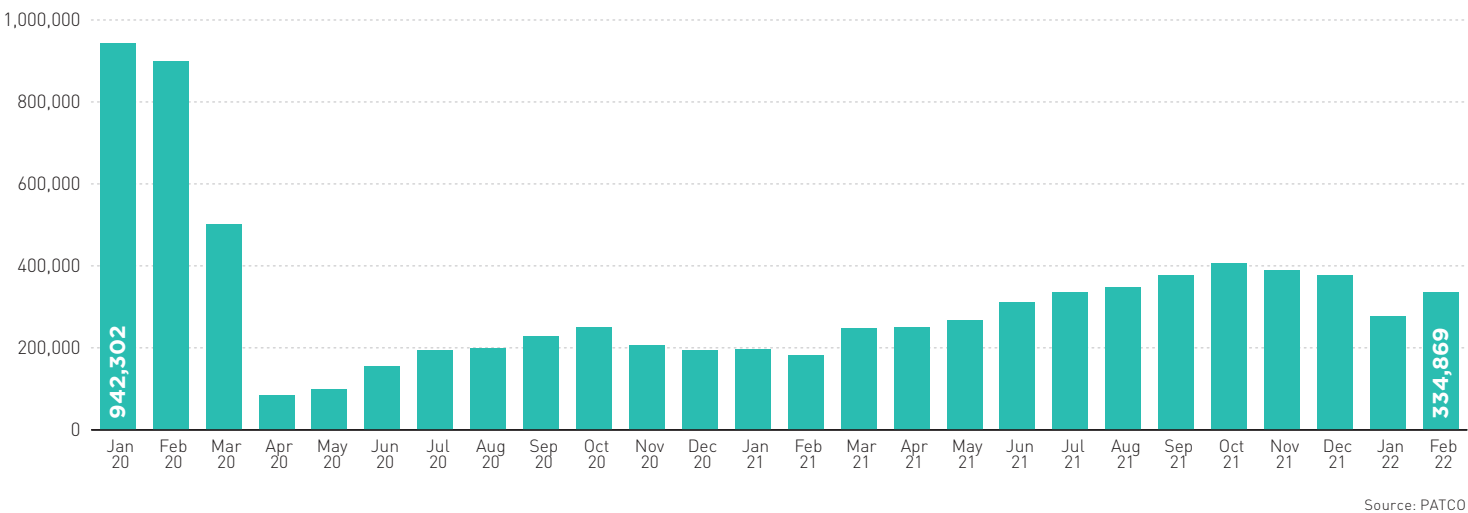
Overall ridership in January 2022 was at 40% of the January 2020 level. City Transit Division buses were at 47% of January 2020 ridership, the Market-Frankford Line at 38%, the Broad Street Line and trolleys at 37%, Regional Rail at 26%, and other components at 45%.

PATCO ridership also declined from October through January but rebounded by 21% in February, supported by more weekend travel. However, February 2022 ridership was at 37% of the February 2020 level.

SEPTA AVERAGE WEEKLY RIDERSHIP, 2020-2021



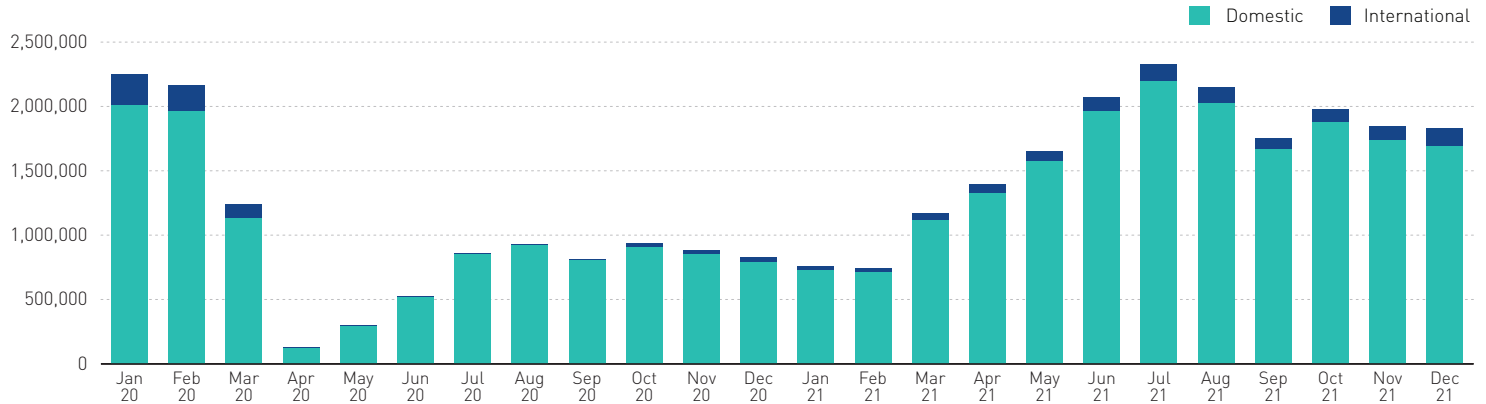
MONTHLY PATCO RIDERSHIP



AIR TRAVEL

Passengers at Philadelphia International Airport declined 1% from November to December 2021. This reflected a decline of 3% in domestic passengers and an increase of 24% in international passengers.

PHILADELPHIA INTERNATIONAL AIRPORT PASSENGERS

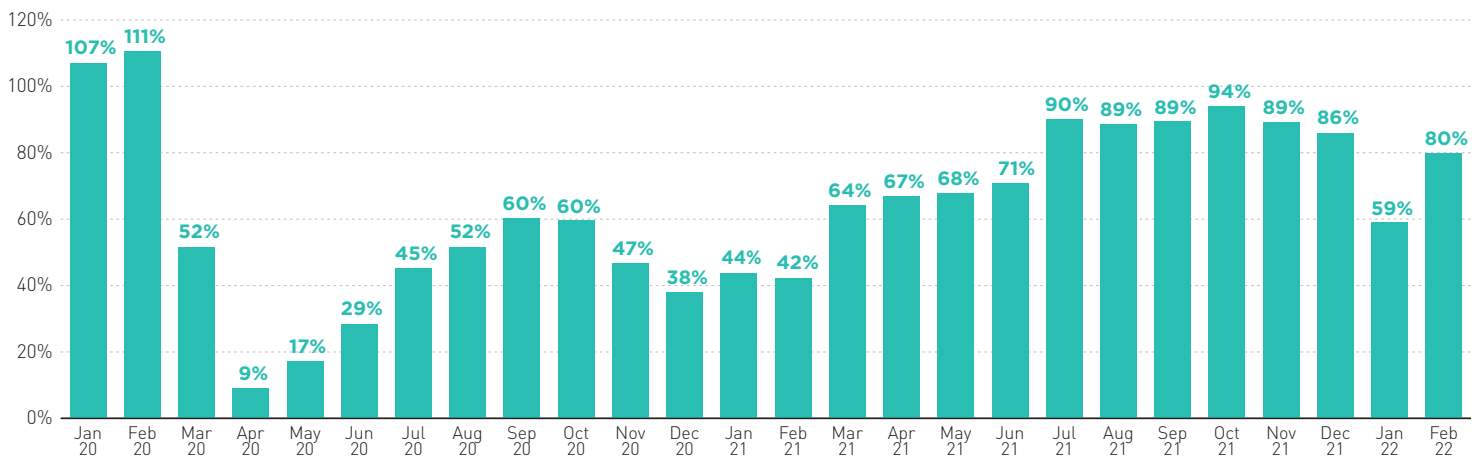


Source: Philadelphia International Airport, Aviation Activity Report

OFF-STREET PARKING

Parkway Corporation reports that daily transient parking in their multiple off-street garages climbed steadily through October 2021 as a percentage of the 2019 pre-pandemic level. From the October 2021 peak of 94%, parking declined to 59% of the pre-pandemic level in January, before rebounding to 80% in February.

DAILY PARKING CUSTOMERS AS PERCENTAGE OF 2019 LEVEL



Source: Parkway Corporation

CENTER CITY PEDESTRIANS

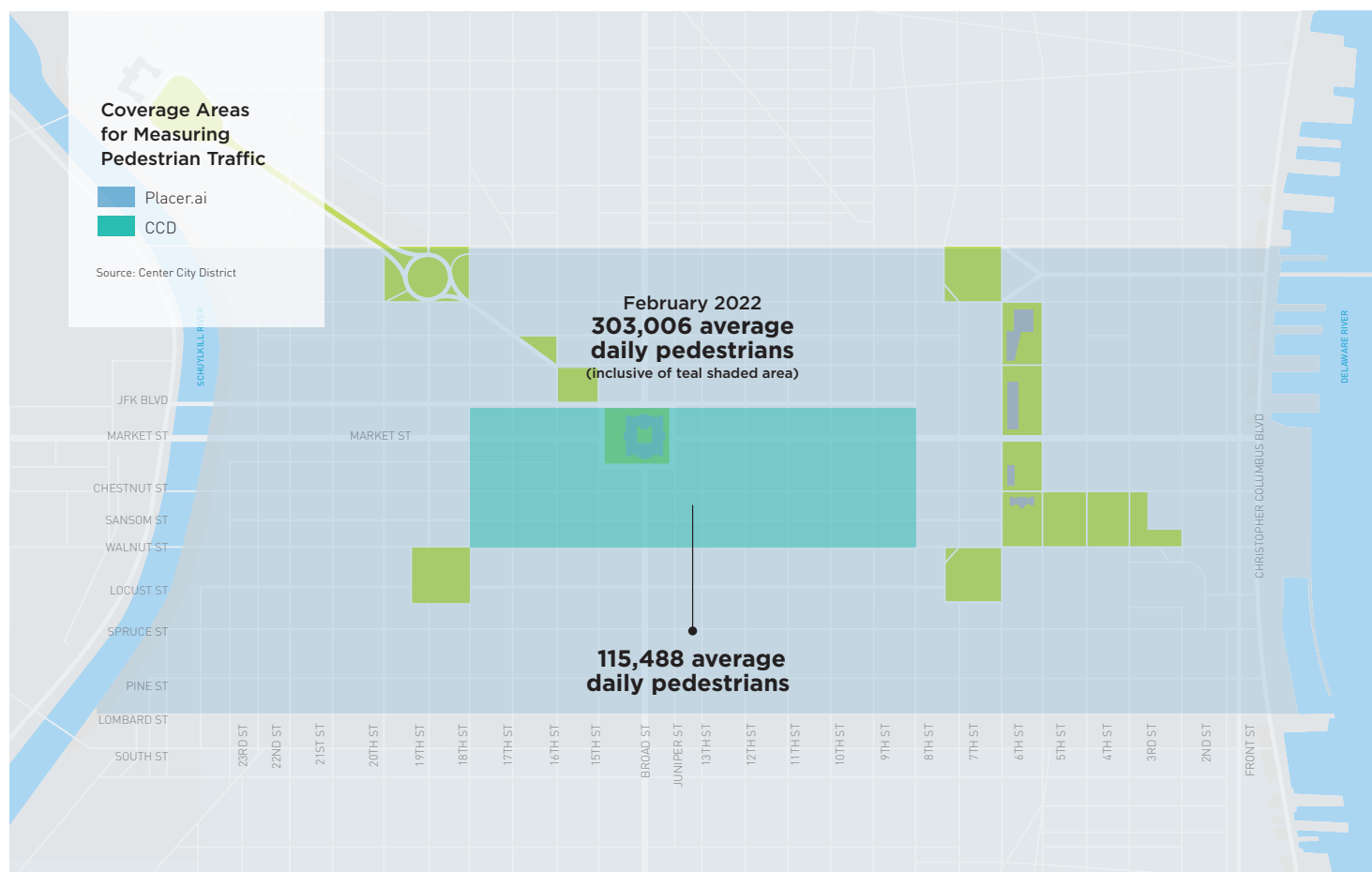
CCD monitors pedestrian volumes at 20 locations throughout the dense core of Center City, an area that represents just 12.4% of the geography from Vine Street to Lombard Street, river to river, but which accounts for about 40% of all pedestrian traffic. This data, similar to other indicators of downtown recovery, reflected a general increase through October 2021, followed by modest declines in November and December, a steep drop in January, and a strong uptick in February. Average daily volumes in February were 115,500, a 33% increase from January. On weekdays, the average volume counted at 20 specific locations was 112,400 in February, a 27% increase, while average weekend volume in February was 123,200, a 47% increase from the prior month.

Another key source of the downtown population is anonymized mobile phone data provided by Placer.ai. This data provides a breakdown of the average daily population of Center City into three

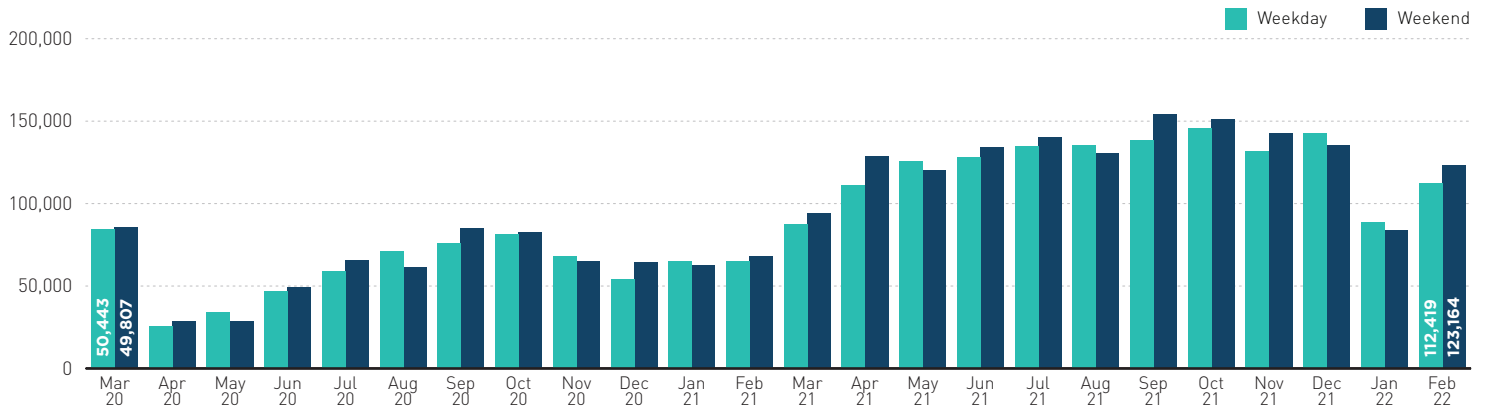
categories: residents, non-resident workers, and all other visitors, including regional residents, tourists and convention attendees. In the initial months of the pandemic, non-resident workers and visitors in core Center City fell dramatically, but there has since been a gradual recovery, particularly in the visitor category.

According to Placer, the average daily population of Center City in February was 303,000, a 22% increase from the prior month and the highest count since the previous peak in October. The February total was 71% of the February 2020 average of 427,400. The number of pedestrians who are local residents increased 7% from 57,200 to 61,300, while non-resident workers increased from 56,400 to 68,000, a 21% increase and the highest number in two years. Other visitors increased by 30%, from 133,800 to 173,700.

Pedestrian volumes are steadily rebounding and are currently at 71% of February 2020 levels.



AVERAGE DAILY PEDESTRIANS AT 20 LOCATIONS MONITORED BY CCD



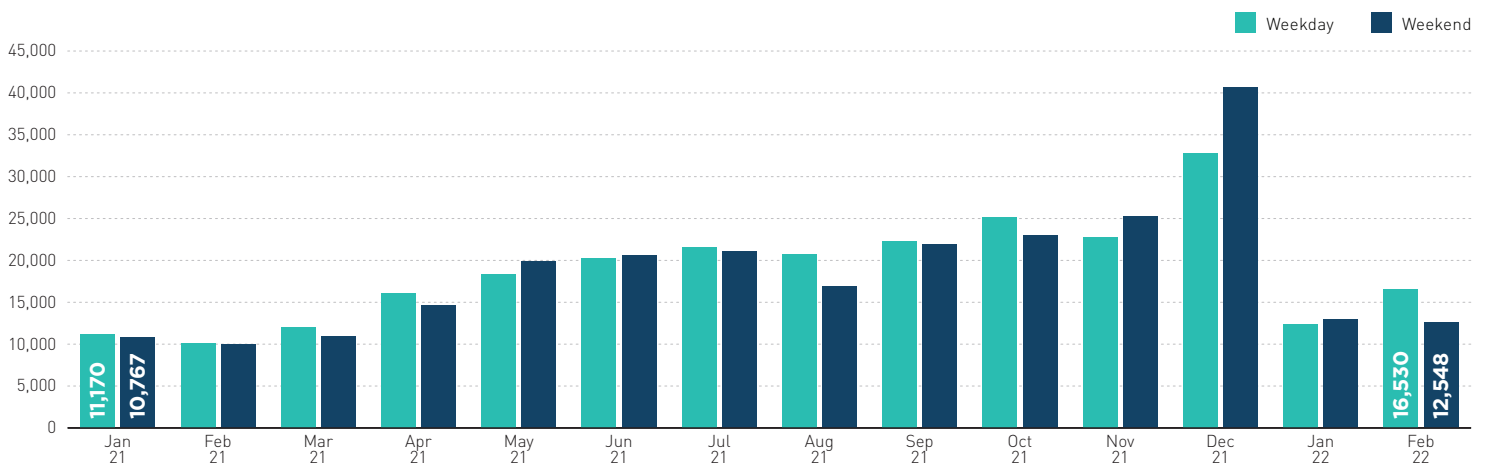
Source: Center City District, pedestrian volume counters

DILWORTH PARK

Center City District has continued to program Dilworth Park with performing arts groups, exercise classes, ice and roller skating, craft markets and events for families with children. Average daily visitors to the park increased continuously throughout 2021, peaking at 34,800 in December, with the largest numbers on weekends. More than 7 million people visited Dilworth Park in 2021.

Volumes declined in January, reflecting the end of holiday events and other factors that reduced Center City pedestrian volumes generally. Volumes then rebounded in February by 22% to 15,300, reflecting a 33% increase to 16,500 on weekdays. CCD has a robust schedule of programs and events in the park beginning in April.

AVERAGE DAILY PEDESTRIANS IN DILWORTH PARK



Source: Center City District