



CENTER CITY REPORTS | MAY 2022

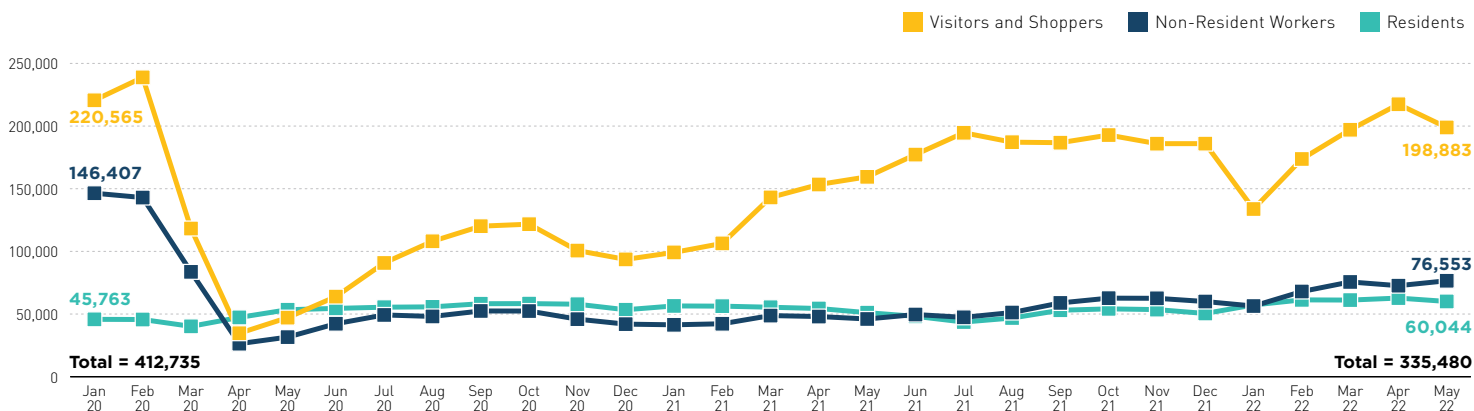
Philadelphia's Steady, Uneven Recovery

Philadelphia continues its slow, steady though uneven recovery at the start of the summer season. By April, payroll employment citywide rose to 95.6% of February 2020 levels, compared to 97.6% in the 11 county region and 99.2% in the nation. The lagging pace of local recovery reflects the slow rebound in leisure and hospitality employment, which remains down by 11%, and the ripple effects of remote work on those jobs that rely on the presence of other workers. Still, the unemployment rate continued to decline and local government benefitted from pronounced growth in wage, sales and hotel tax revenues.

The average daily volume of pedestrians in Center City reached 335,480, 81% of pre-pandemic levels by the third week of

May, according to Placer.ai mobile phone location data. While shoppers, tourists and visitors were at 90% of January 2020 levels and downtown residents are fully present, non-resident workers remain the slowest to return, gradually rising to 52% of pre-pandemic levels through the third week of May. The impact of remote work is reflected in SEPTA ridership, which remains at half of pre-pandemic levels and constrains the rebound of restaurant and retail sales, limits the recovery of jobs that cannot be performed remotely and poses potential long-term questions for the commercial office sector and the City's fiscal stability. Overarching all is the continuing need citywide to address public safety challenges.

CENTER CITY AVERAGE DAILY POPULATION: RESIDENTS, NON-RESIDENT WORKERS, AND VISTORS



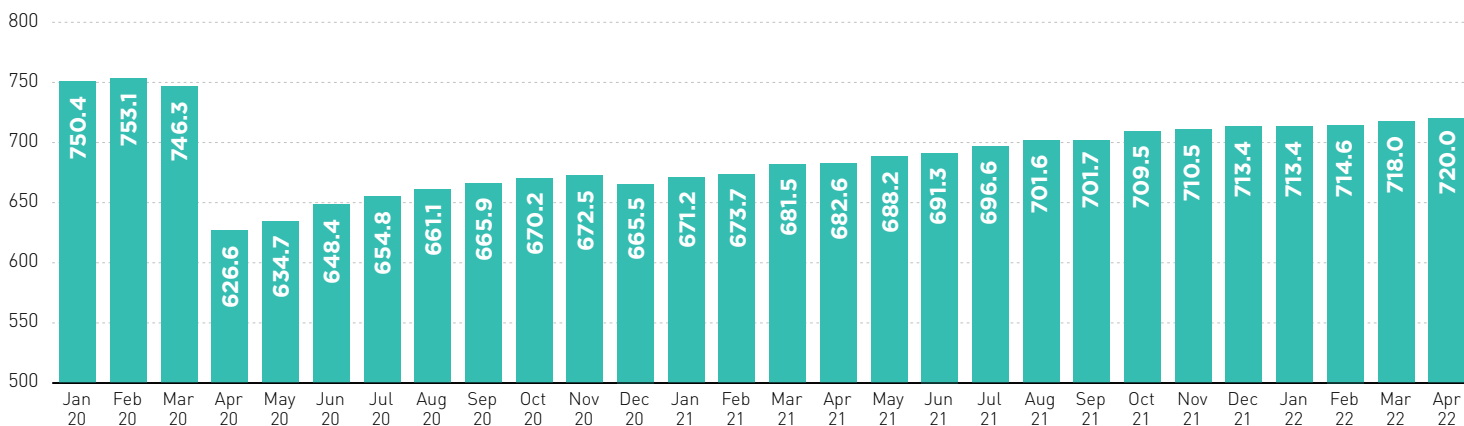
Source: Placer.ai
Note: May 2020 figures represent average daily pedestrians through May 20.

EMPLOYMENT

Seasonally adjusted payroll employment in Philadelphia climbed to 720,000 in April, 95.6% of the February 2020 level. Jobs have recovered most rapidly in wholesale trade and professional and business services, with April employment exceeding pre-pandemic levels. Most other sectors have achieved 90% of February 2020 employment. The exceptions are the leisure and hospitality sector, largely composed of hotels and restaurants, and the information

sector, which includes traditional and online publishing, motion pictures, broadcasting and telecommunications. Leisure and hospitality continues to show monthly growth, adding 1,600 jobs from March to April for a sector total of 66,300 jobs, still 8,200 (11%) below February 2020 levels. The information sector was down 2,800 jobs (17.3%).

NONFARM PAYROLL EMPLOYMENT, 2020-2022 (SEASONALLY ADJUSTED)



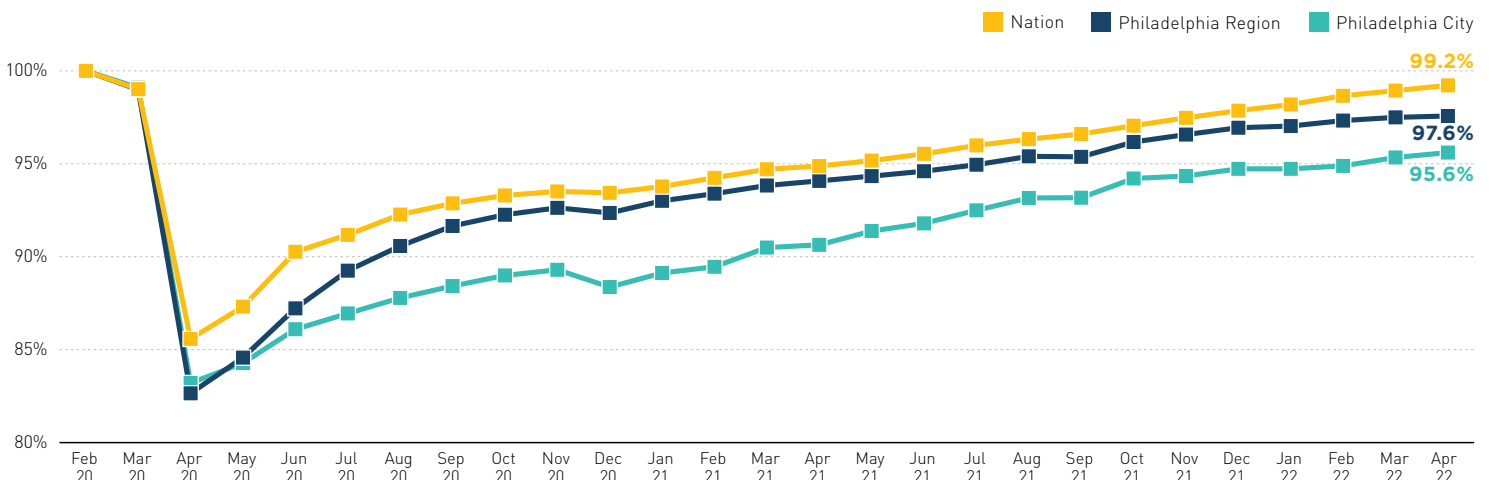
Source: Bureau of Labor Statistics, Current Employment Statistics

CITY OF PHILADELPHIA EMPLOYMENT BY INDUSTRY (IN THOUSANDS)

	FEB. 2020	APR. 2020	% CHANGE FEB. 2020- APR. 2020	MAR. 2022	APR. 2022 (PRELIMINARY)	% CHANGE MAR. 2022- APR. 2022	% CHANGE FEB. 2020- APR. 2022	APR. 2022 AS A % OF FEB. 2020
All Industries	753.1	626.6	-17%	718.0	720.0	0.3%	-4.4%	95.6%
Mining, Logging and Construction	11.4	6.9	-39%	11.4	11.8	3.5%	3.5%	103.5%
Manufacturing	18.9	14.5	-23%	18.6	18.6	0.0%	-1.6%	98.4%
Wholesale Trade	14.5	12.4	-14%	15.1	15.4	2.0%	6.2%	106.2%
Retail Trade	48.4	36.3	-25%	46.9	46.5	-0.9%	-3.9%	96.1%
Transportation, Warehousing and Utilities	30.4	25.4	-16%	28.2	28.2	0.0%	-7.2%	92.8%
Information	16.2	15.0	-7%	13.3	13.4	0.8%	-17.3%	82.7%
Financial Activities	43.0	41.3	-4%	42.0	41.4	-1.4%	-3.7%	96.3%
Professional and Business Services	106.4	94.3	-11%	105.7	108.2	2.4%	1.7%	101.7%
Professional, Scientific and Technical Services	61.7	58.7	-5%	65.1	66.1	1.5%	7.1%	107.1%
Educational Services	78.1	72.4	-7%	72.7	74.1	1.9%	-5.1%	94.9%
Health Care and Social Assistance	172.5	158.8	-8%	168.9	169.3	0.2%	-1.9%	98.1%
Hospitals	58.7	57.4	-2%	57.5	57.3	-0.3%	-2.4%	97.6%
Leisure and Hospitality	74.5	29.1	-61%	64.7	66.3	2.5%	-11.0%	89.0%
Accommodation and Food Services	61.9	21.0	-66%	51.9	53.3	2.7%	-13.9%	86.1%
Other Services	29.0	19.1	-34%	26.7	26.9	0.7%	-7.2%	92.8%
Government	107.1	105.6	-1%	103.4	102.2	-1.2%	-4.6%	95.4%
Federal Government	31.0	31.1	0%	31.6	31.5	-0.3%	1.6%	101.6%
State Government	10.9	10.6	-3%	10.2	10.2	0.0%	-6.4%	93.6%
Local Government	65.2	63.9	-2%	61.6	60.5	-1.8%	-7.2%	92.8%

Source: Bureau of Labor Statistics, Current Employment Statistics

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

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

Source: Bureau of Labor Statistics, Current Employment Statistics

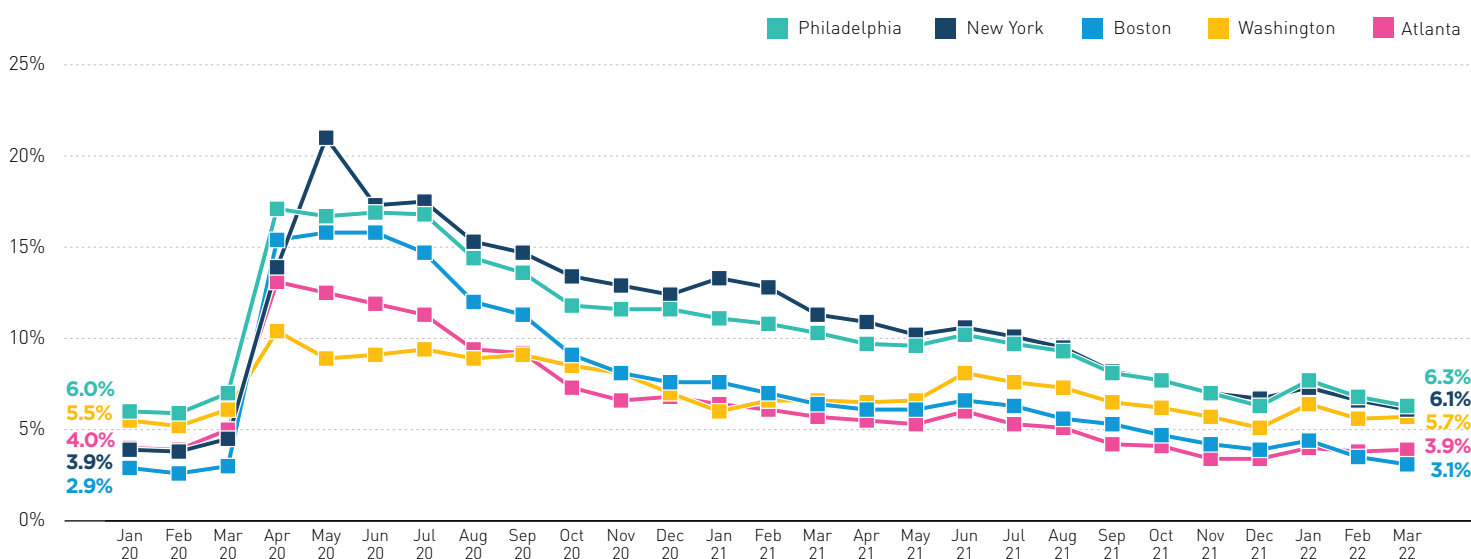
UNEMPLOYMENT RATE

After peaking at 17.1% in April 2020, the unemployment rate steadily declined to 6.3% in March 2022, only slightly above the February 2020 level, as the number of employed Philadelphians increased by 82,500 since the low point in April 2020. But the decline in unemployment also reflects the fact that 16,100 individuals have dropped out of the workforce. In addition, prior to the pandemic, 40% of working Philadelphians worked in the suburbs, so the decline in unemployment is also a byproduct of faster job recovery in surrounding counties. The low density of jobs

in the city pre-pandemic meant that Philadelphia had a lower rate of workforce participation than peer cities, so restoring more lost city-based jobs and growing new ones is essential for Philadelphia's full recovery.¹

While the pace of unemployment decline in Philadelphia tracks trends in other East Coast cities, the local rate of 6.3% was higher than that in New York (6.1%), Washington (5.7%), Atlanta (3.9%), and Boston (3.1%).

MONTHLY UNEMPLOYMENT RATE, MAJOR CITIES



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

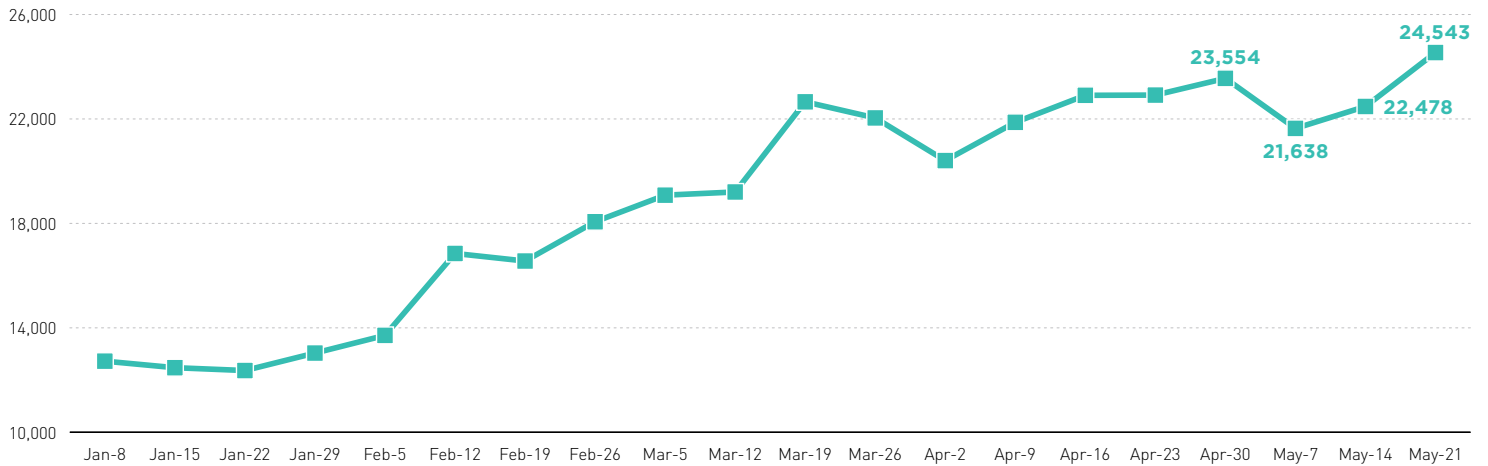
The impact of remote work constrains the rebound of restaurant and retail sales, limits the recovery of jobs that cannot be performed remotely and poses potential long-term questions for the commercial office sector and the City's fiscal stability.

1: See *Getting More Philadelphians Back to Work: Business Density and the Role of Black and Minority Owned Businesses*, CCD/CPDC August 2020, centercityphila.org/research-reports/getting-more-philadelphians-back-to-work-business-density-and-the-role-of-black-and-minority-owned-businesses

OFFICES

The office market has been impacted by on-again, off-again plans for return to work, while the duration of uncertainty has prompted prolonged debate over the temporary or permanent nature of remote arrangements. However, the recent return of such major employers as Comcast has resulted in a steady increase in pedestrian traffic on West Market Street and JFK Boulevard, with volumes rising 93% between January 2022 and the third week of May.

AVERAGE DAILY PEDESTRIANS, OFFICE CAMERAS



The vacancy rate in Center City offices rose from 11% at the start of 2020 to a high of 18.5% in the third quarter of 2021, but since has steadily declined to 18.2% in the first quarter of 2022 with 53,800 square feet of occupied space added to the inventory in Q1 2022. Average asking rents declined slightly from \$34.15 in Q4 2021 to \$34.05 in Q1 2022. Rents generally have held up since the start of the pandemic, but landlords continue to offer generous concessions, even for shorter-term leases.²

The first quarter saw three major new leases in Center City, including Cash App taking 35,000 square feet at 1100 Ludlow

Street, Gerson Lehrman Group with 13,833 square feet at 11 South Independence Mall East, and Red Tettemer O'Connell + Partners leasing 11,300 square feet at 2400 Market. While some tenants in renewal discussions are seeking to downsize, JLL reports several tenants seeking to expand in Center City, with deals expected to be announced later this year.³ The announcement of a new life sciences development on the 2300 block of Market Street provides continuing evidence of the impact of this burgeoning industry beyond the boundaries of University City and highlights the potential for a sustained business attraction effort (www.phillyworks.com).

²: Philadelphia Office Market: Philadelphia Mask Mandate Lifted; Return-to-Office Issues Linger, Research Q1 2022, Newmark.

³: Philadelphia CBD: Activity continues to pick up as tenants seek out post-pandemic solutions for their workplaces, Office Insight, Q1 2022, JLL.

CENTER CITY OFFICE MARKET TRENDS, 2021

SUBMARKET	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Asking Rent per Square Foot					
East Market	\$32.89	\$32.66	\$32.20	\$32.15	\$32.21
Independence Square	\$31.96	\$31.72	\$31.59	\$31.30	\$31.30
Walnut/South Broad	\$30.99	\$30.49	\$30.53	\$30.70	\$30.96
West Market	\$35.93	\$36.03	\$35.97	\$35.83	\$35.62
Center City	\$34.44	\$34.39	\$34.26	\$34.15	\$34.05
Vacancy Rate					
East Market	15.7%	15.7%	18.9%	18.9%	19.5%
Independence Square	16.8%	18.8%	20.1%	17.9%	17.8%
Walnut/South Broad	21.6%	22.1%	21.1%	20.8%	20.0%
West Market	15.3%	17.3%	17.7%	17.8%	17.7%
Center City	16.2%	17.7%	18.5%	18.3%	18.2%
Absorption (Square Feet)					
East Market	(2,787)	(1,225)	(203,006)	(22,773)	262
Independence Square	14,720	(108,287)	(71,097)	117,992	5,417
Walnut/South Broad	(55,084)	(20,447)	39,683	13,145	31,813
West Market	(168,815)	(465,433)	(116,155)	(15,648)	16,349
Center City	(211,966)	(595,392)	(350,575)	92,716	53,841

Source: Newmark Philadelphia Office Market reports

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.

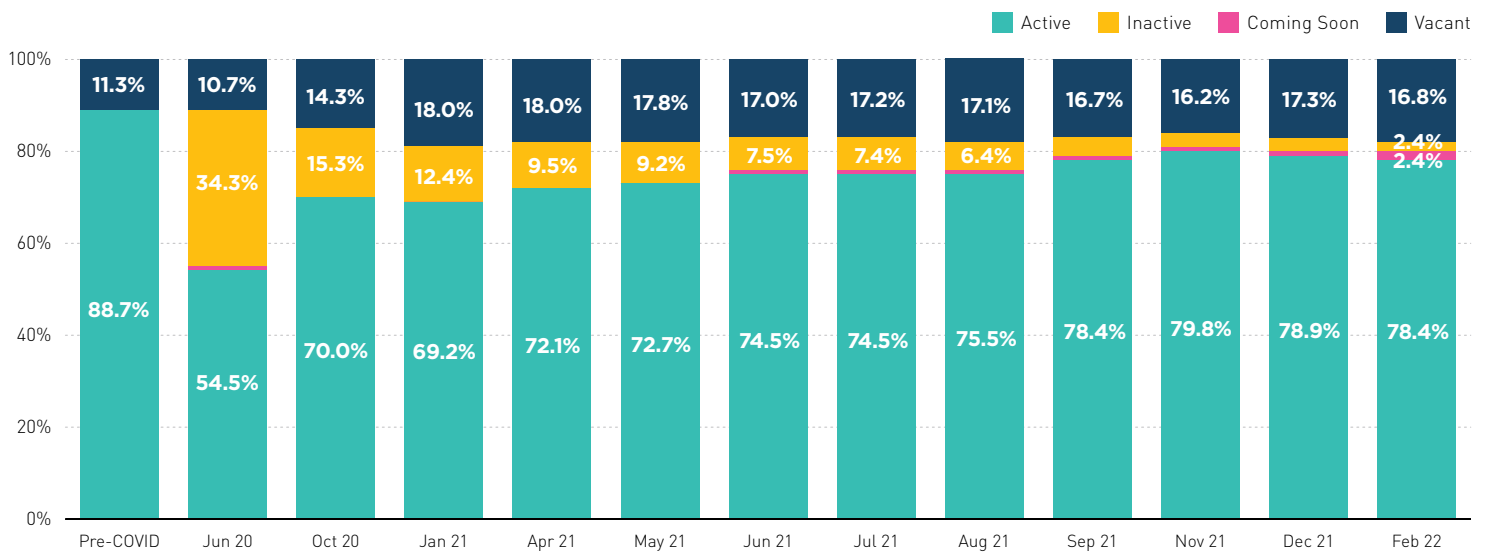
RETAIL AND RESTAURANTS

Since the start of the pandemic, CCD has surveyed the nearly 2,000 storefronts within the District noting which premises are open, temporarily closed or vacant. In June 2020, following civil unrest, 34% of all storefront businesses were temporarily closed and boarded up. This number declined 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%.

confidence in the Center City market. From March 2020 to February 2022, the District welcomed 132 new storefront retailers, including 70 food and beverage establishments, 38 stores, and 24 service providers. Of these openings, 41% are national brands and 59% are independent businesses or regional chains. There are 43 more openings planned during the balance of 2022.

One positive legacy of the last two years is the increased availability of outdoor dining options. Seasonal counts of outdoor seats at District restaurants consistently run well above pre-pandemic levels.

CENTER CITY STOREFRONT BUSINESS OPERATIONAL STATUS



*Inactive represents temporarily closed businesses.
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	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

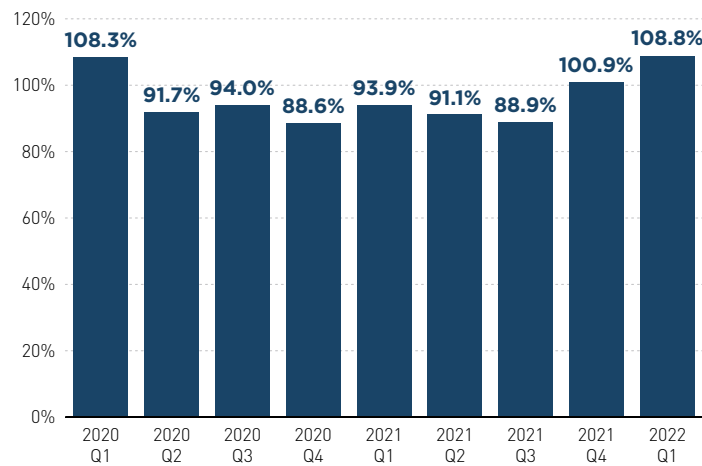
* CCD did not record seating type during first survey.
Source: Center City District survey

LOCAL TAX REVENUE

Local tax revenues are essential not only for supporting citywide services, but they also serve as a key indicator 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. Wage and earnings tax revenues were strong in the first quarter of 2022, reaching

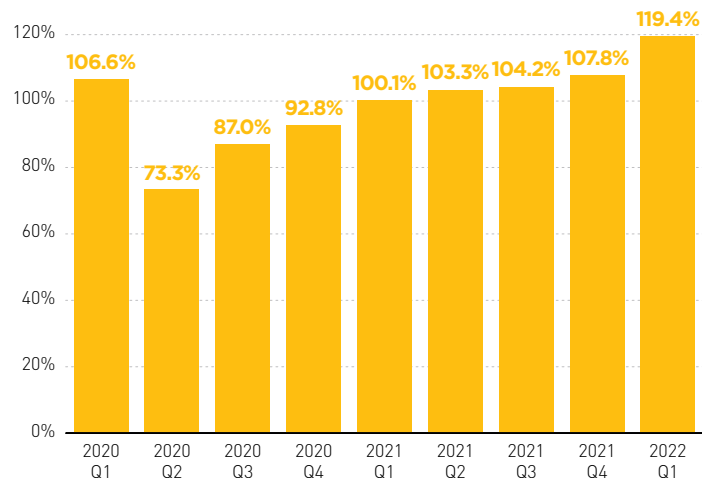
109% of pre-pandemic collections in Q1 2019. This was the second consecutive quarter in which revenues exceeded 2019 levels. Local sales tax revenues continued their upward trajectory, reaching 119% of Q1 2019 levels. Hotels, with 13,375 rooms concentrated downtown, were more severely impacted. Their tax revenues also continued to recover in the first quarter, but have reached only 79% of pre-pandemic levels.

QUARTERLY WAGE TAX REVENUE AS A PERCENTAGE OF 2019 LEVEL



Source: City of Philadelphia Department of Revenue

QUARTERLY LOCAL SALES TAX REVENUE AS A PERCENTAGE OF 2019 LEVEL



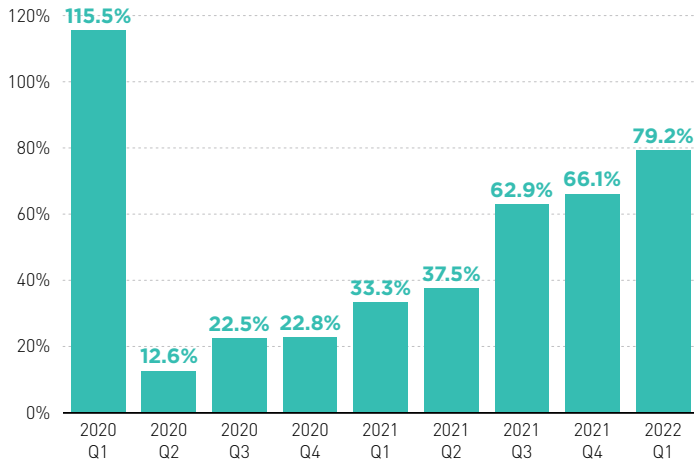
Source: Pennsylvania Department of Revenue

Because sales tax collections are available at the ZIP code level for some sectors, it is possible to gauge the geographic distribution of recovery. 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 2019.⁴ Bars, restaurants and other food service establishments, however, have been slower to recover, with fourth quarter collections of \$2.7 million, 81% higher than in 2020,

but still 16% below 2019. Bars and restaurants 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, more locally reliant and boosted by those working remotely, were down only 5%.

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

QUARTERLY HOTEL TAX REVENUE AS A PERCENTAGE OF 2019 LEVEL



Source: City of Philadelphia Department of Revenue

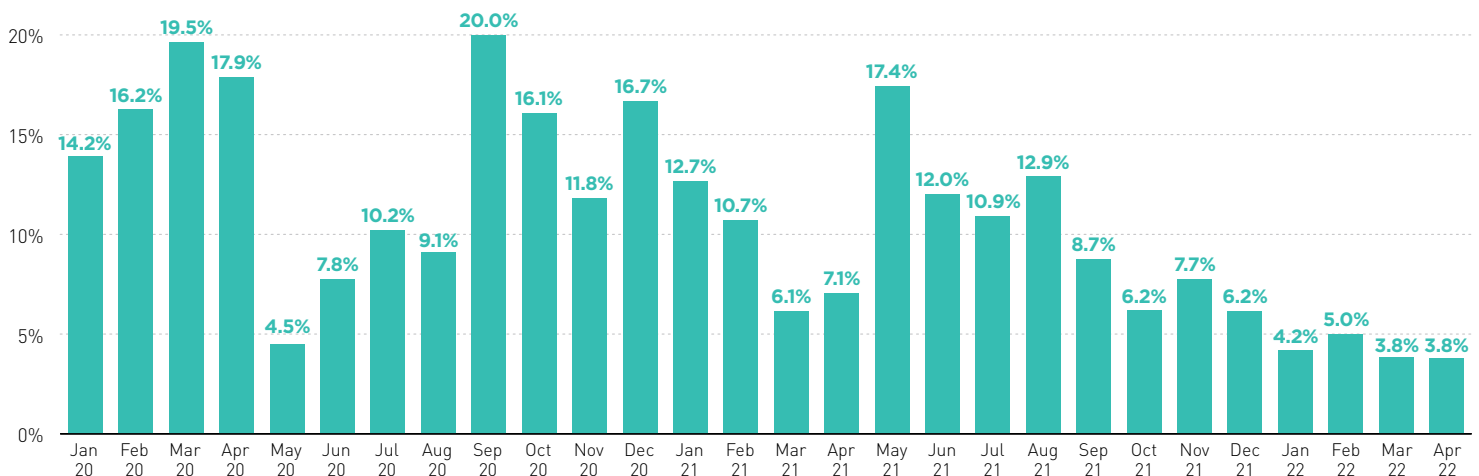
As the largest source of local revenue, wage tax recovery is most critical for city finances. A recent study by The Pew Charitable Trusts outlined four potential scenarios for economic recovery but cautioned that due to the impact of sustained remote work, particularly by suburban residents, "all the scenarios show a larger share of the local tax burden falling on city residents than in the pre-pandemic period, primarily because of the projected decline in the wage tax paid by nonresidents."⁵

HOUSING

The Philadelphia housing market has been remarkably strong since the start of the pandemic, with increasing sales volumes and prices. The median residential sale price in the city increased 12% in 2020 and 10% in 2021. There are signs, however, that as interest rates rise, the market is cooling with year over year increases in the first four months of 2022 ranging from 3% to 5%. Since 2019,

appreciation in Greater Center City has generally been more moderate than in the city as a whole, although downtown values typically remain well above citywide levels. For more information on the city's housing market, see CCD/CPDC's housing report, *The Center Holds: Residential Resiliency 2022*.⁶

YEAR-OVER-YEAR PERCENTAGE GROWTH IN MEDIAN PHILADELPHIA RESIDENTIAL SALE PRICE



Source: MLS

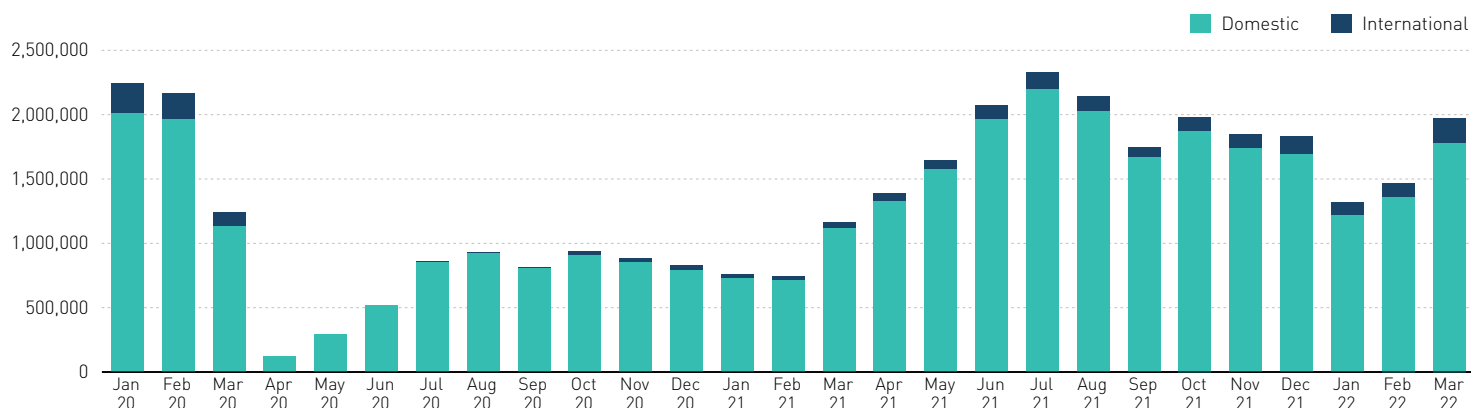
5: *How Future Employment Patterns Could Put Philadelphia's Operating Budget at Risk*, pewtrusts.org/en/research-and-analysis/issue-briefs/2022/05/how-future-employment-patterns-could-put-philadelphias-operating-budget-at-risk

6: centercityphila.org/research-reports/report-the-center-holds-residential-resiliency-2022

AIR TRAVEL

Passengers at Philadelphia International Airport increased to 1.97 million in April 2022, 91% of the February 2020 level. Domestic passengers in April were at 1.78 million, 91% of the pre-pandemic level while international passengers stood at 190,000, 93% of the number in February 2020.

PHILADELPHIA INTERNATIONAL AIRPORT PASSENGERS



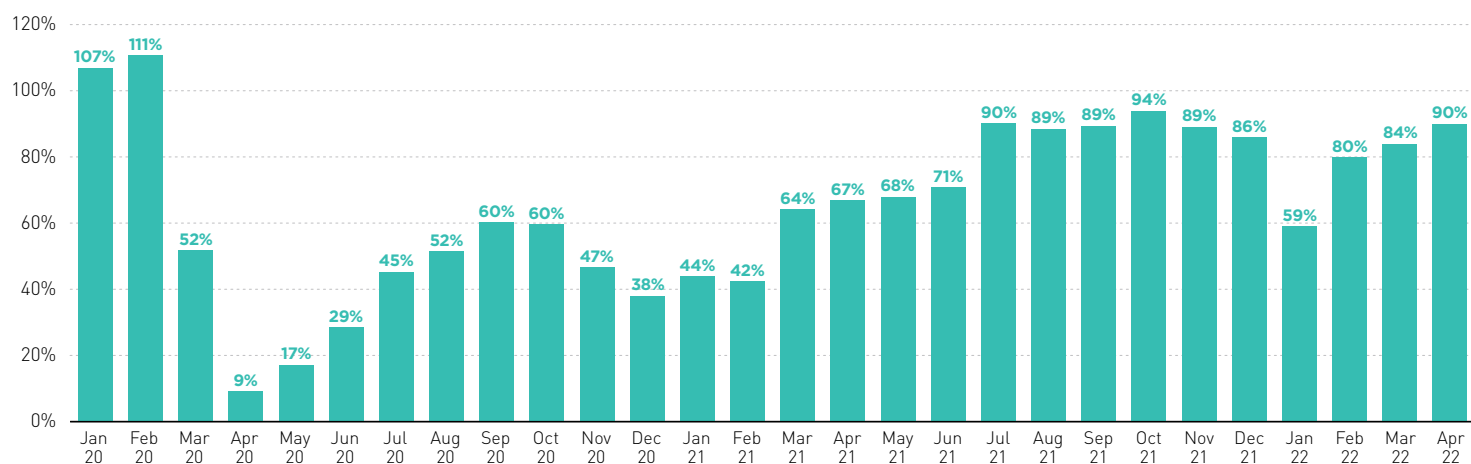
Source: Philadelphia International Airport, Aviation Activity Report

OFF-STREET PARKING

The volume of daily parking reported by Parkway Corporation showed rapid recovery through fall of last year, followed by a fairly stable trend since that time, with monthly parking generally ranging from 80% to 90% of the 2019 baseline. Parkway reported total parking in their off-street garages by daily (transient) customers in April 2022 at 90% of the April 2019 level.

Off-street parking by daily customers in Center City has recovered more rapidly than transit ridership, reflecting the return of arts, cultural, sporting and convention events. There is also evidence of increased demand from former transit riders who shifted during the pandemic to driving to work. 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.

DAILY PARKING CUSTOMERS AS PERCENTAGE OF 2019 LEVEL



Source: Parkway Corporation

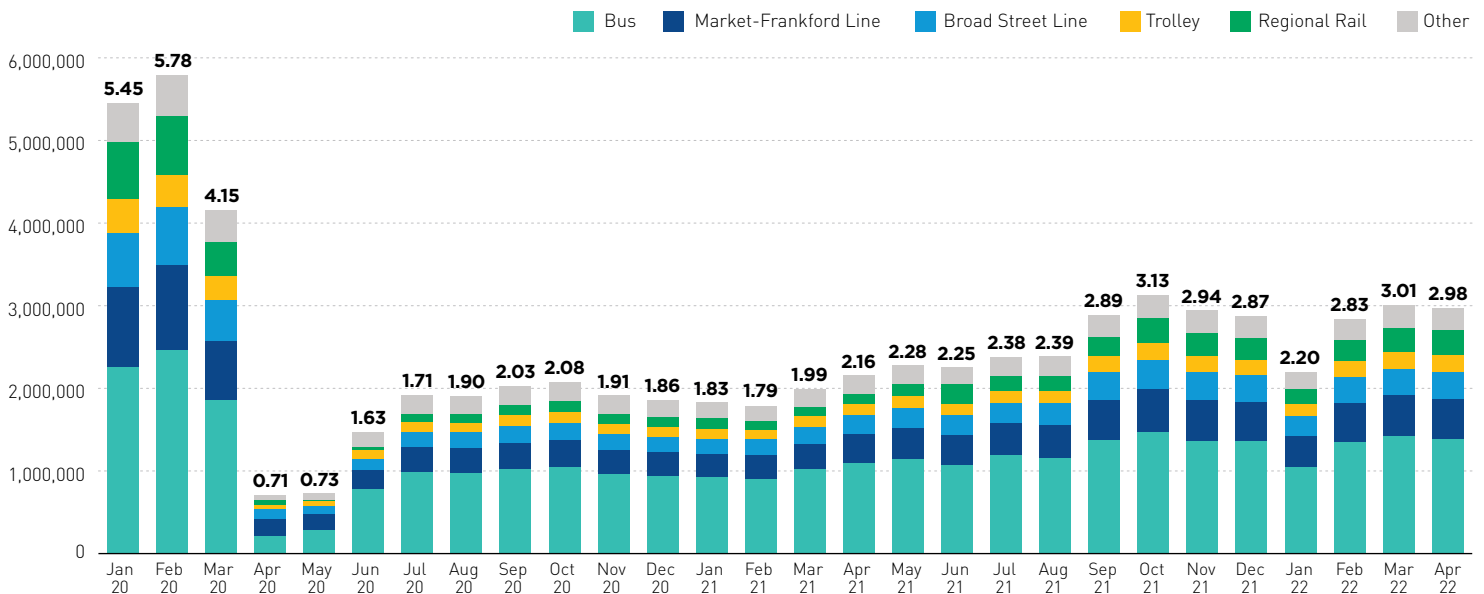
PUBLIC TRANSIT

SEPTA ridership recovered gradually through last fall, reaching a high point in October 2021 with an average weekly ridership of 3.13 million. Volumes dropped in January 2022 at the peak of the Omicron variant, then rebounded and have remained generally flat with April at 2.98 million, 51% of the February 2020 level. Ridership through April varied across the system with City Transit Division buses reaching the largest recovery of pre-pandemic passengers (57%), followed by trolleys (50%), Market-Frankford Line (47%), Broad Street Line (47%), and all other modes (56%). Regional Rail

attained 43% of the pre-pandemic level but surpassed 300,000 riders for the first time since March 2020.

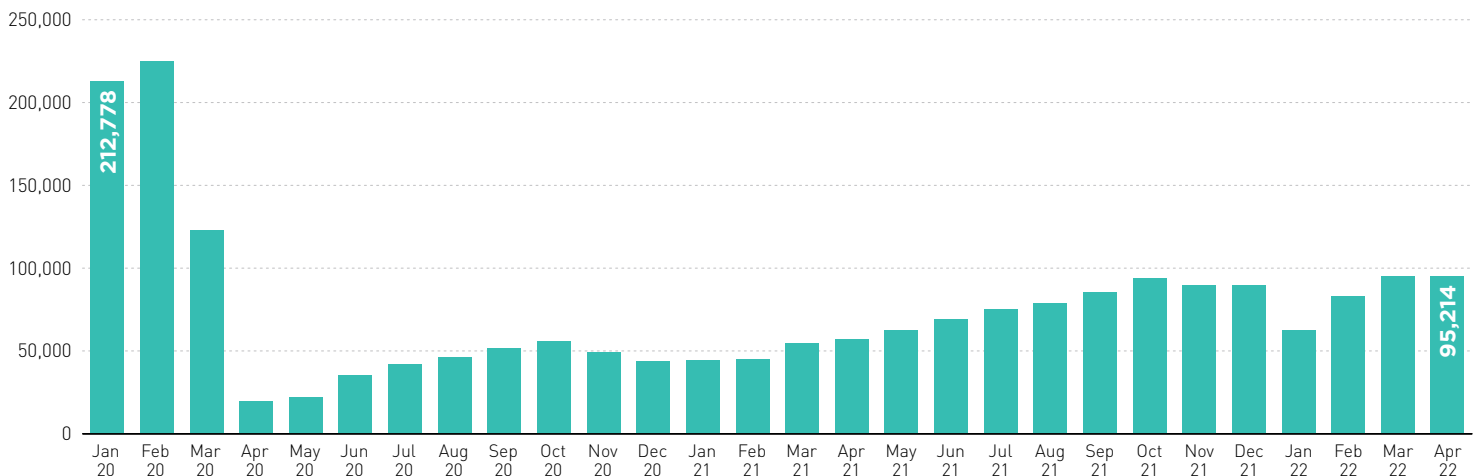
PATCO has shown a similar pattern with average weekly ridership increasing consistently through October 2021 and remaining largely unchanged since then. The number of average weekly riders in October 2021 was 93,635, 41.6% of the February 2020 level. In April, the weekly average increased to 95,214, 42.3% of the pre-pandemic level. PATCO does, however, report strong weekend passenger volumes.

SEPTA AVERAGE WEEKLY RIDERSHIP



Source: SEPTA

PATCO AVERAGE WEEKLY RIDERSHIP



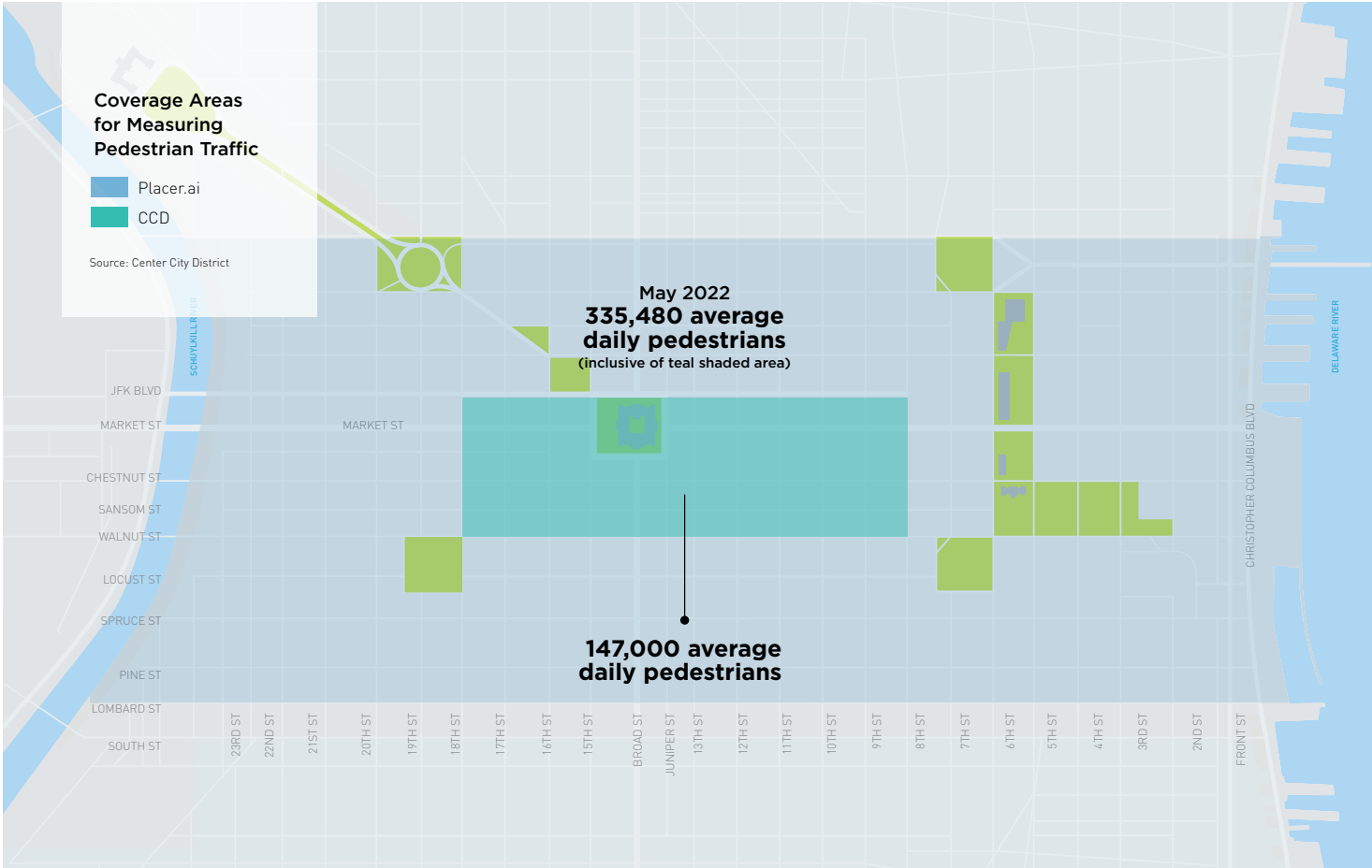
Source: PATCO

CENTER CITY PEDESTRIANS

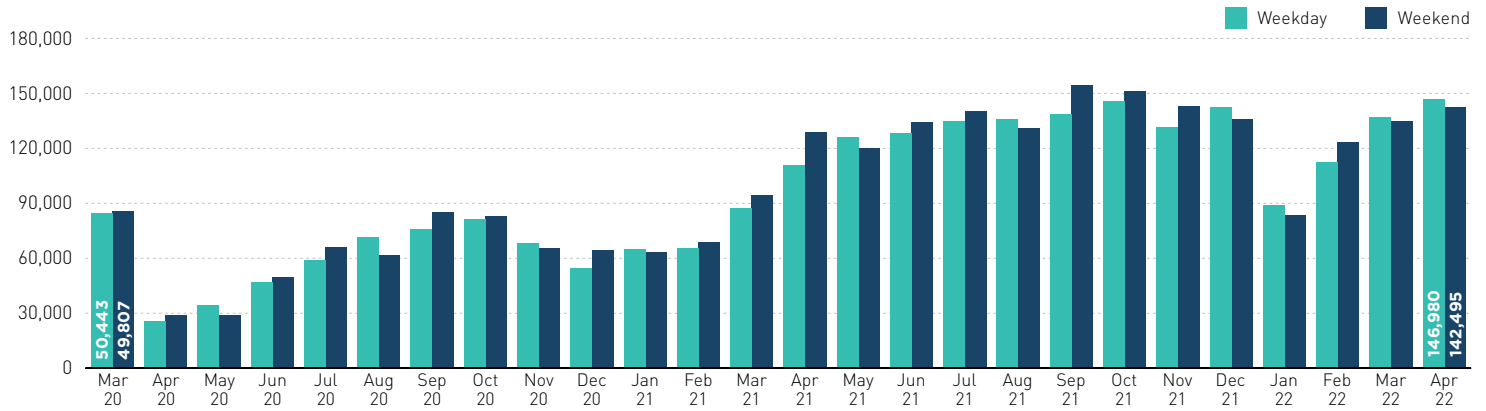
CCD monitors pedestrian volumes using two different data sources. CCD has installed sensors at 20 locations throughout the dense core of Center City, an area that represents just 12.4% of the geography from Vine Street to Lombard Street, river to river, but accounts for about 40% of all downtown pedestrian traffic. Average daily volumes at these locations increased gradually through fall 2021, declined dramatically in January 2022, during the peak of Omicron, and have since recovered. The April 2022 level averaged 147,000 on weekdays and 142,500 on weekends, roughly consistent with the post-pandemic peak levels of last fall.

The second data source is anonymized mobile phone data provided by Placer.ai, which breaks down Center City’s average daily population into three categories: residents living between Vine and Lombard Streets, river to river, non-resident workers and all other visitors, including regional residents, tourists and convention attendees. As shown in the graphic on page 2, non-resident workers and visitors in core Center City fell dramatically in the pandemic’s early months but have gradually recovered. As of the third week of May, the average daily population of Center City was 335,480 including 60,044 residents, 76,553 non-resident workers, and 198,883 visitors and shoppers. The resident component was 31% higher than the January 2020 level, while non-resident workers were at 52% and visitors at 90% of the pre-pandemic January 2020 baseline.

Pedestrian volumes are steadily rebounding and are currently at 81% of January 2020 levels.



AVERAGE DAILY PEDESTRIANS AT 20 LOCATIONS MONITORED BY CCD



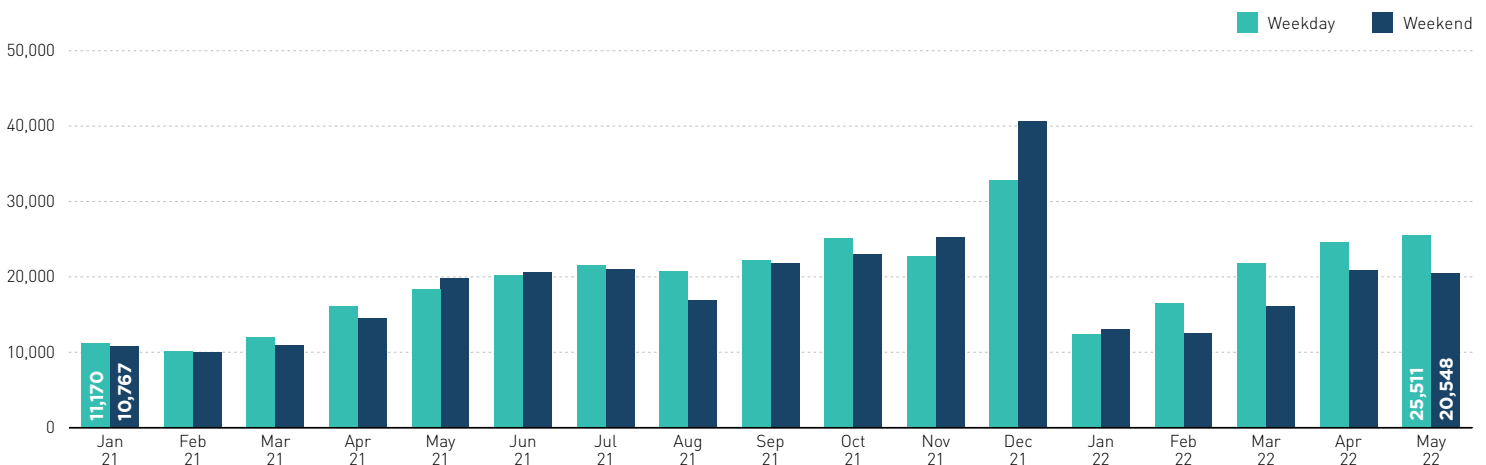
Source: Center City District, pedestrian volume counters

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 continually increased throughout 2021, peaking in December during the holiday light show, markets and ice skating with 32,800 visitors on weekdays and 40,600 on weekends.

Visitors declined in January but have trended upward through May 30, with average weekend visits reaching 20,548 (3% higher than same time last year) and average weekday visits reaching 25,522 (39% higher than same time last year).

AVERAGE DAILY PEDESTRIANS IN DILWORTH PARK



Source: Center City District