

**City Planning 642-001**  
**Spring 2026, University of Pennsylvania**  
**Paul R. Levy**

**6th Class**

<https://centercityphila.org/bidclass>

 **CENTER CITY DISTRICT**

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**Downtown office sector: Post-pandemic landscape**



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**High-rise office buildings: most dense development form  
& most job intense within U.S. downtowns**  
**Driven demand for adjacent housing**



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**Two U.S. exceptions: San Antonio & Las Vegas**



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**Comparative employment density  
& much higher wage jobs**



**PSFS bank building**  
600,000 sf = 4,000 office jobs

**Loews Hotel**  
Average = 8 jobs for every 10  
hotel rooms in banquet or  
convention hotel

600 rooms = 480 jobs

5

**Local workforce participation**

51%



60%



80%



6

**Not an either/or proposition**

Hotels, theaters & restaurants  
create an environment that attracts  
business and residents.



The hospitality industry & eds/meds  
creates work for accounting, architecture  
& law firms.

Office tenants attract both corporate  
meetings and business travelers that fill  
hotel rooms.

55% of business at convention center,  
eds, meds & pharma

Diversification is key to success



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**Due to zoning & planning principles: 1950s-1970s**  
Most downtowns defined by single use office buildings  
Since 2000 moving towards diversification



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Upper floor office uses & density  
drove at least 30% of street level activity  
Large percent of municipal tax revenue



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Single tenant corporate headquarters: Salesforce



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Single tenant corporate headquarters  
Office campus rich with internal amenities  
But other buildings, mixed tenancy



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Multi-tenant buildings  
1987: Macquire Thomas/IBM; I.M. Pei



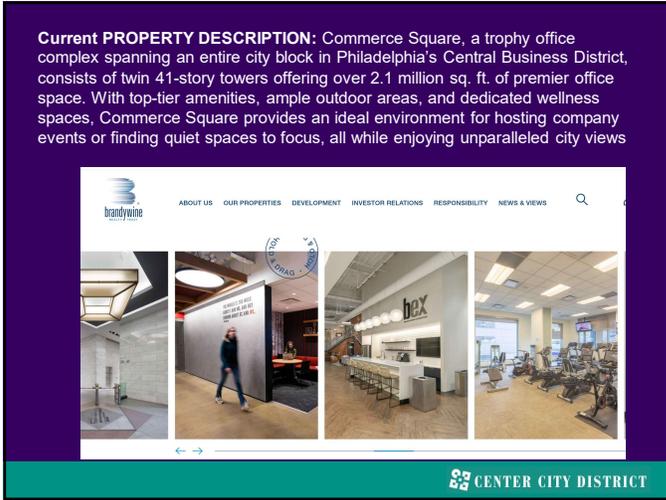
Commerce Square = 1.9 million-sq ft, two-tower complex, Major tenants include IBM, Ernst & Young, Stradley Ronon Stevens & Young, The Pew Charitable Trusts, Fiserv Securities Inc., Thorp Reed & Armstrong, Delaware Investments, parking + retail.

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**Industry actors for most towers**

**Developers:** Commerce Square example

**Owners:** corporate ownership, REITs/Pension funds:  
seeking return on investment  
not specifically tied to place

**Management:** day to day operations  
operating maintenance contracts  
tenant service & cost management

**Commercial tenants:** seeking access to talent;  
Favorable cost, transportation connectivity; access to amenities

**Brokers:** representing ownership & tenants  
Invest in research & trend analysis

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**Brokers & CoStar best source of data**

**PHILADELPHIA OFFICE MARKET**  
RESEARCH 10 2020  
OFFICE MARKET PERFORMANCE VARIES BETWEEN CJD AND SUBURBS, BUT BOTH FACE FUTURE CHALLENGES

**WORKPLACE ECOSYSTEMS OF THE FUTURE**

**Philadelphia CBD**

**CBRE**  
Offices

With 500 offices on six continents, our team collaborates across borders and in every sector of real estate.

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## Basic measures of industry performance

**Supply** – expressed as square footage; Different brokerage firms count different geography & inventory

**Rents** – expressed as dollars per square foot; includes tenant fit-up costs, cost of occupancy + pass through of operating & maintenance costs (O&M) & municipal taxes, including BID assessments

Asking rent & effective rent (concessions)  
Investor looking for ROI; will improvements return higher ROI?

**Occupancy/Vacancy Rates**  
**Absorption** - Positive & negative

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## Typical private sector office sector tenants

NAICS = North American Industrial Classification System  
At the 2-digit level, the Office Sector is roughly the following:

- **51: Information & communications**
- **52: Finance & Insurance**
- **54: Professional, Scientific, & Technical Services**  
Law, accounting, engineering, architecture
- **53: Real Estate Rental & Leasing**
- **55: Management of Companies & Enterprises**
- Corporate headquarters: Energy in Houston, Technology in San Francisco, Amazon in Seattle  
Comcast & Aramark in Philadelphia  
Banks in Charlotte

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## “Traded” professional & business services Businesses that sell outside the region

JULY 2018

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### Firing on All Cylinders: Growing Jobs and Small Business by Expanding the Traded Sector

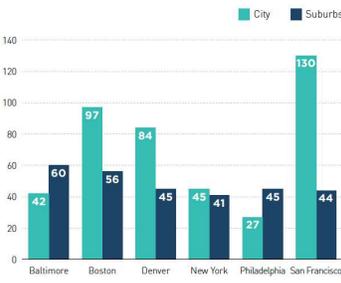
**Where the Jobs Are in the Region**



**REPORT HIGHLIGHTS**

- **Business development:** The report shows that professional and business services are growing in the region, with a focus on expanding the traded sector. This includes businesses that sell outside the region, which are a key driver of economic growth.
- **Job growth:** The report highlights significant job growth in the traded sector, particularly in professional and business services. This growth is driven by a combination of factors, including increased demand for these services and a focus on expanding the traded sector.
- **Small business:** The report also highlights the importance of small business in the traded sector. Small businesses are a key driver of economic growth and job creation, and the report shows that they are playing an increasingly important role in the region's economy.

**FIGURE 17:  
Professional and Business Services:  
Traded Sector Jobs per 1,000 Population in 2016**



City	City	Suburbs
Baltimore	42	60
Boston	97	56
Denver	84	45
New York	45	41
Philadelphia	27	45
San Francisco	130	44

Source: CCD tabulation of Eckert, Fort, Schott, and Yang, County Business Patterns Database; Population data from US Census Bureau Population Estimates Program.

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## Compare a law firm that only serves clients in home city vs one with national or global practice (intellectual property, federal regulations)

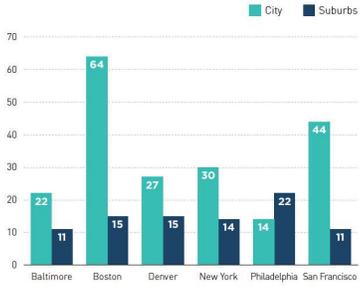


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## Boston's strength in financial services Selling outside the region; job opportunities

FIGURE 13:  
Financial Activities: Traded Sector Employment  
per 1,000 Population in 2016



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## San Francisco: Traded information services Import wealth back within the region

FIGURE 11:  
Employment in Traded Information Industries per 1,000 Population, Cities and Suburbs, 2016



Source: CCD tabulation of Eckert, Fort, Schott, and Yang, County Business Patterns Database; Population data from US Census Bureau Population Estimates Program.

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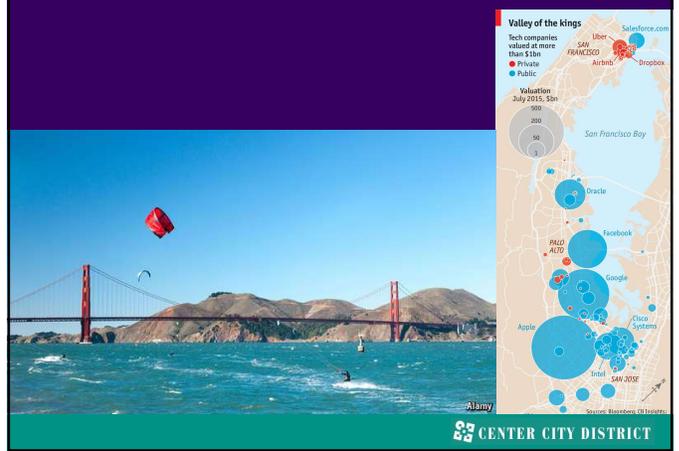
## Tech dominance in San Francisco: 38% of office space



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## Tech dominance in Bay area



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**Tech firms leased 27% of office space in Downtown Portland**



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**Tech companies leased 21.4% of office space in downtown Denver**



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**Amazon in Seattle accounted for 20% of downtown office space**



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**Energy sector in Houston: 20% of occupancy**



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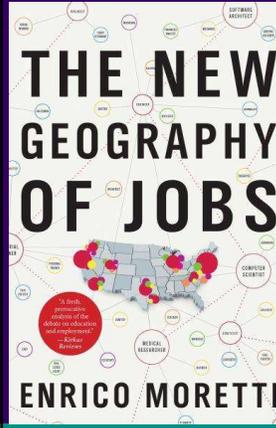
**Comcast Philadelphia: 5.5% of downtown inventory**



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**Moretti's argument**



Knowledge-intensive jobs form the driving edge of innovation in post-industrial cities. They are not necessarily tied to place. But they draw toward them a solid base of knowledge-workers who are attractive to other firms.

Traded sector industries create the largest number of local opportunities because they are serving a market much larger than the local region

They are intellectual export industries

They draw at least 6-7 other jobs into their orbit – from other high skilled to moderate skilled to building maintenance and transit jobs.

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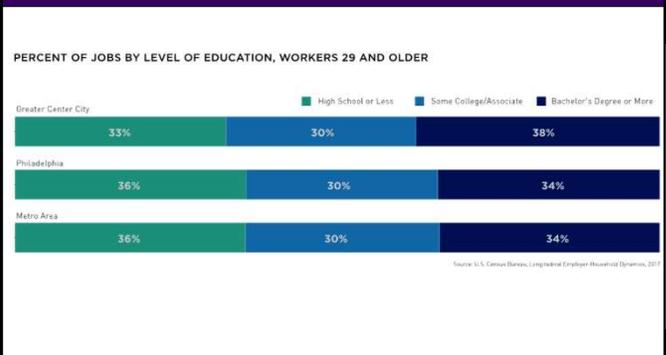
**An industrial-era metaphor**



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**63% downtown jobs require less than college degree  
33% require only a high school diploma**



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**Each 1 million sf of occupied office space supports**



**500,000 sf + 500,000 sf  
= 1,000,000 sf of office**

**36 janitors, 24 security guards & 10 building engineers.**

Employees within buildings **generated \$3.6 million in annual retail sales** in surrounding shops & restaurants; drove demand for transit, taxi & ridesharing jobs.

**Business travelers** to firms occupying each million sf of office space created annual **demand for 22,000 hotel rooms**



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**Many blue-collar urban jobs depend on the presence of office workers**




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**25% of working residents in each neighborhood work downtown**



**Greater Center City 311,500 Jobs**

- 84,100 Workers from Suburban Pennsylvania
- 29,600 Workers
- 27,100 Workers
- 27,300 Workers
- 32,100 Workers from Suburban New Jersey
- 34,500 Residents of Greater Center City work downtown
- 9,500 Partners, freelancers & self-employed
- 15,700 Workers
- 3,300 Workers from Suburban Delaware/Maryland

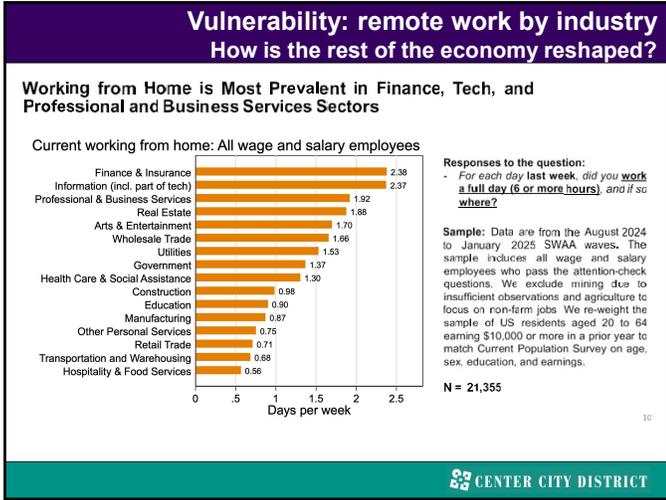



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**Offices: Densest containers of the most diverse jobs:  
Hold high-wage, mid-level & entry-level jobs**




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### Typical office occupant



**Tenant; most buildings multi-tenanted (some corporate headquarters are owned)**

**Signed a 10 or 15 year lease; locks in rent; fit up allowance; pass-thrus (assurance to lenders)**

**May have offices elsewhere in region (suburbs) Comparison shoppers**

**With digital technology the cost of moving is lower; leave furniture behind & upgrade**

**Footloose; retention & attraction are key Economic development activities**

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### Office classification: Trophy, A, B & C buildings: Age, technological sophistication, flexibility of layout Well tracked by commercial brokerage firms



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### Pre-pandemic already a “flight to quality” From Class A, B & C to Trophy




**Trophy buildings, more recently constructed or renovated with higher level of amenities, are successfully retaining & attracting tenants, sustaining rents.**

**Class B & C buildings less amenities, lower rents, struggle due to weak demand**

**Unless indigenous or in-bound demand**

**Older established businesses can afford new buildings many new businesses can only afford old buildings**

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**Pre-pandemic allocation of space was shrinking**



Formula in 1980s & 1990s was 250 sf per employee.  
Technological innovation (fewer private offices/secretaries) "hoteling" & downsizing pressures =  
175-150 sf/ employee

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**Pre-pandemic office space @ 150 sf/worker**



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**Earphones reduce the need for private offices**



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**Open office plan**

Computers eliminated secretaries, filing staff & cabinets  
Law firms stopped needing law libraries



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**Common areas instead for socializing, gathering, small meetings**



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**Pre-pandemic technology enabled viable alternatives**

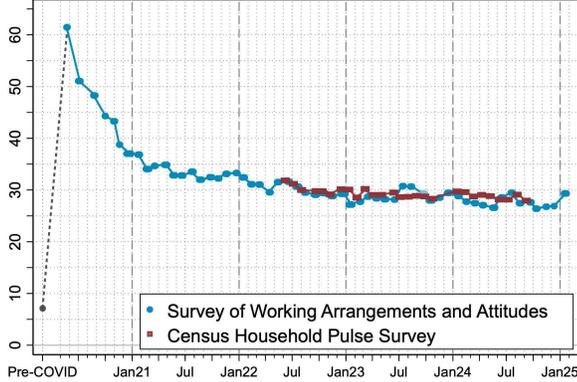


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**Pandemic dramatically accelerated WFH**

Percentage of paid full days worked from home



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**Accelerated Flight to quality**

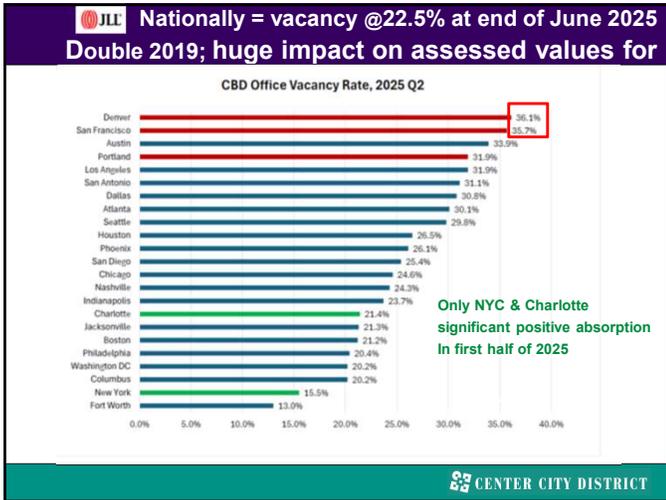
As tenants renew leases, they downsize to adjust to hybrid work patterns. When not everyone is in the office 5 days/week, not everyone needs their own desk. In Philadelphia, most renewals take 25% less space.

Tenants exit older buildings in "flight to quality," adopt desk-sharing & occupy less space in more expensive buildings. They trade even in occupancy costs but leave in their wake rising vacancy.

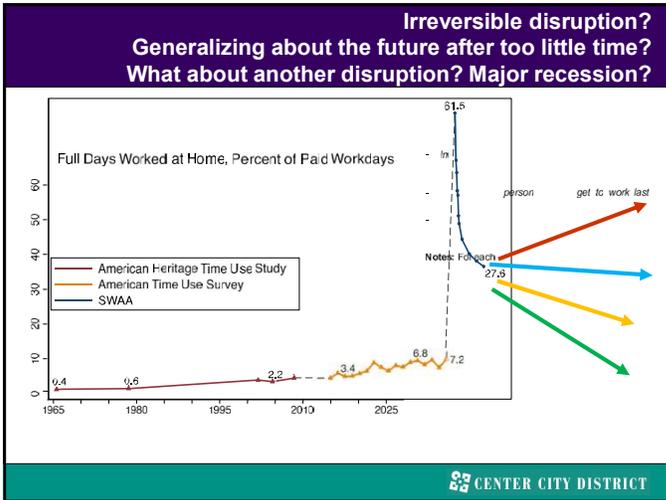
Unless a significant number of in-movers or a robust start-up culture

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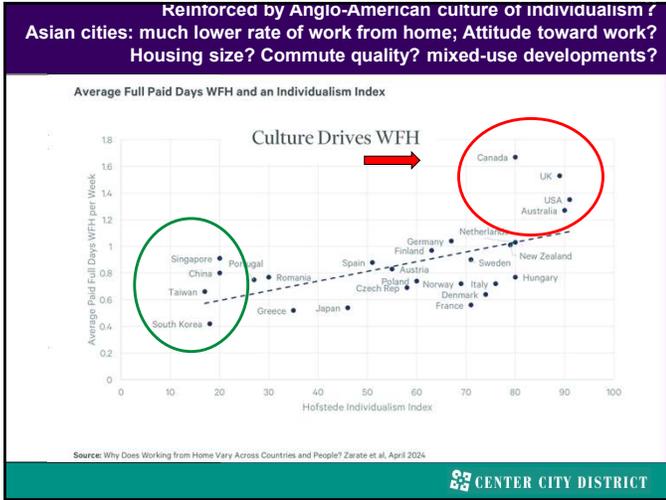
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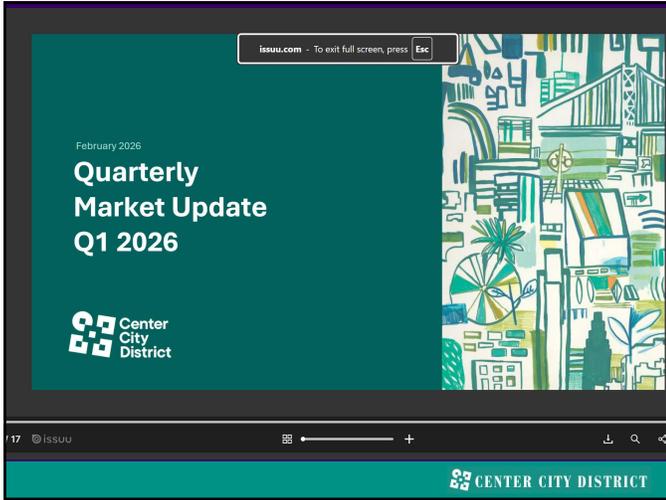
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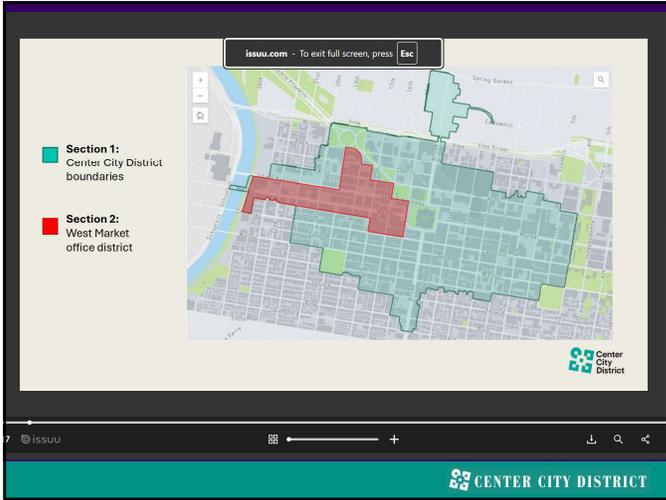
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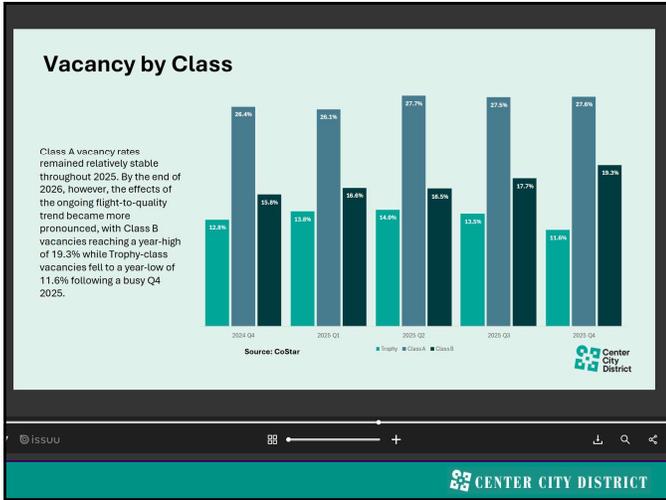
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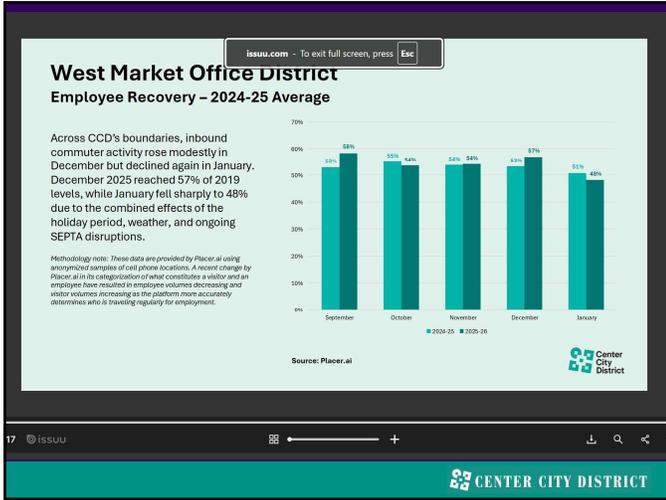
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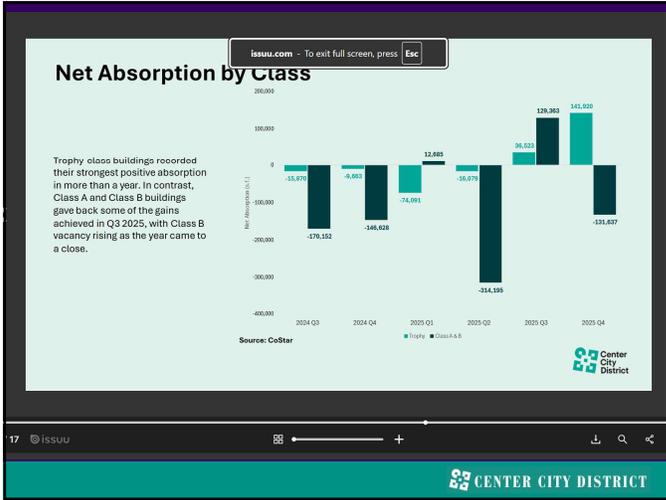
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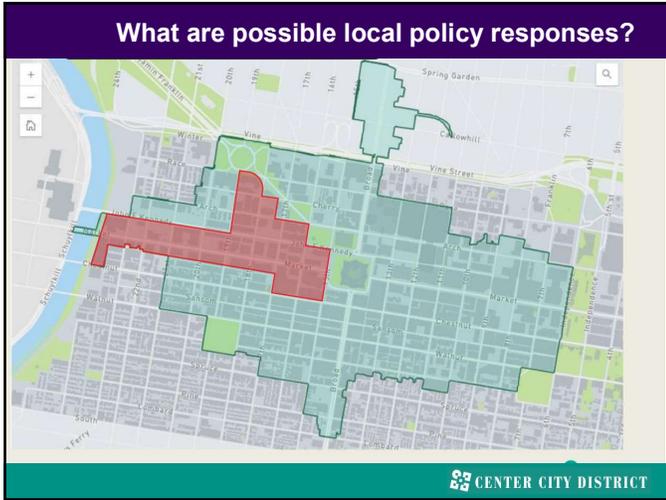
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### Office vacancy is getting worse; public action is required 5 step action plan

**Problem:** 23.5% of downtown office space is vacant (an historic high & double the level in 2019), jobs are being lost; real estate tax revenues are falling; absent an intervention game plan, more buildings will go dark as vacancy grows to 25% & even more ancillary jobs & tax revenues will disappear.

**Action 1:** Focus on the biggest & most troubled building first:

**Action 2:** Help viable offices remain offices; low interest loan fund for tenant improvements

**Action 3:** 20-year abatement to convert more challenging structures to residential

**Action 4:** (a) Increase affordable housing supply; acquisition of obsolete office buildings  
(b) Increase affordable housing supply: rent subsidies for mixed income housing in office buildings converted by private developers.

**Action 5:** Implement more competitive tax policies to grow City's regional share of businesses & jobs, create more demand & fill more office space thru growth & in-movers

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### Option 2: Rebecca Rockey & Chris Leinberger *Reimagining Cities* Applied portfolio investment theory to real estate in 15 urban places

**REIMAGINING CITIES**

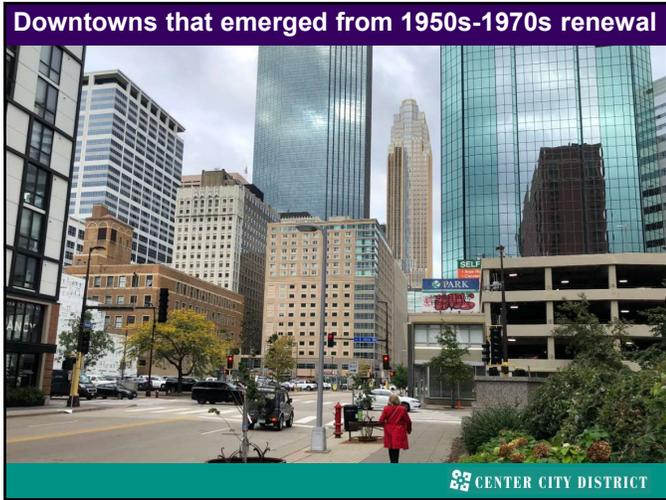
DISRUPTING THE URBAN DOOM LOOP

**15 U.S. CITIES USED IN THIS REPORT**



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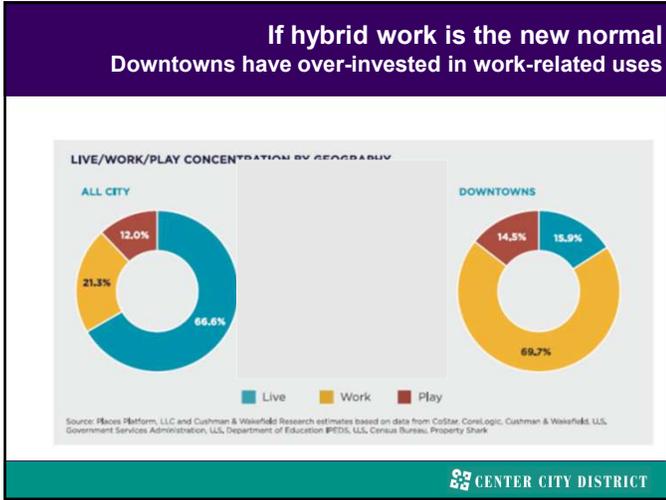
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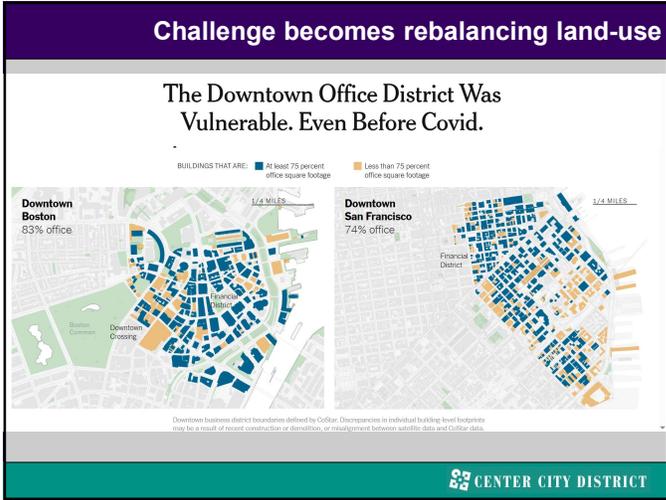
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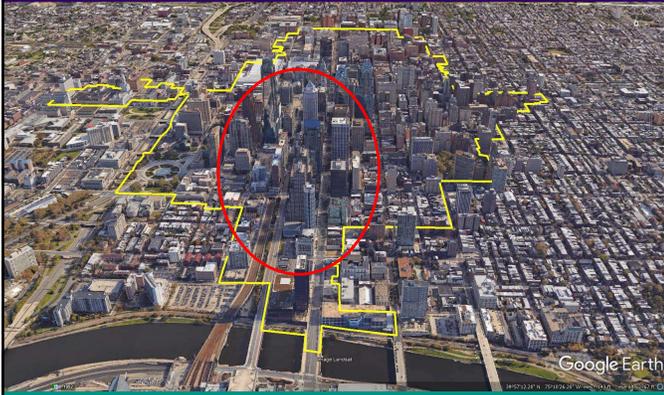


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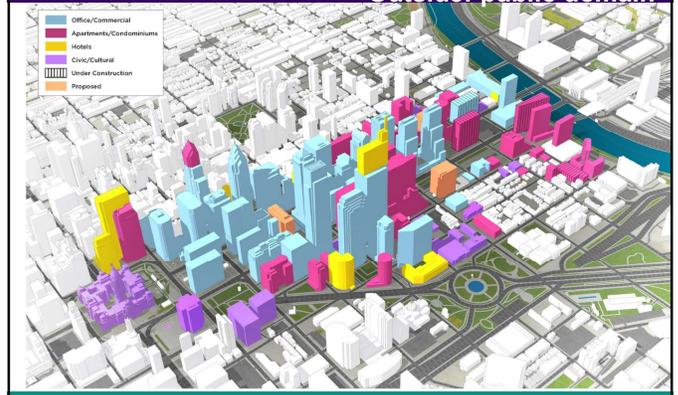
But either government or a place management organization  
Needs to look at the bigger picture



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What does it take to diversify land-use downtown  
Outside: public domain



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What is the ground floor experience?



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Compare to ground floor experience on Walnut St



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More recently added  
West Market & JFK Boulevard Office District planters  
Funded in partnership with property owners



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Complemented by in-street bike lane planters  
Funded & maintained by CCD



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Review of existing public plazas



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More programming of public events?  
Whose job?



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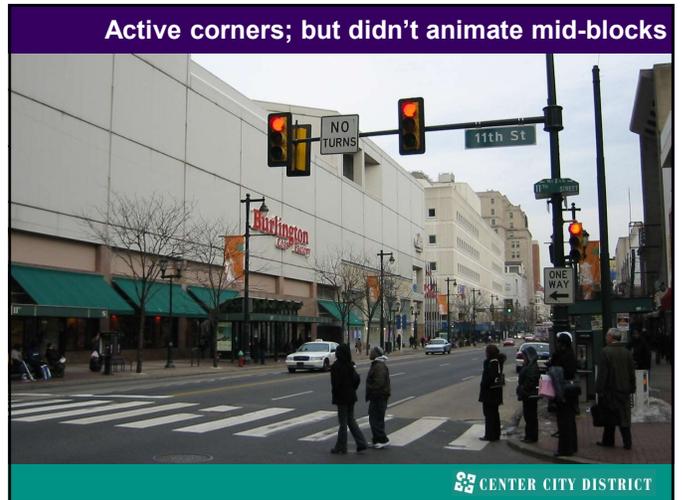
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**2006: MSE Goal: Stimulate movement between major destinations at either end of the street; 1.1 million + 3.5 million**



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**Extend convention district eastward**



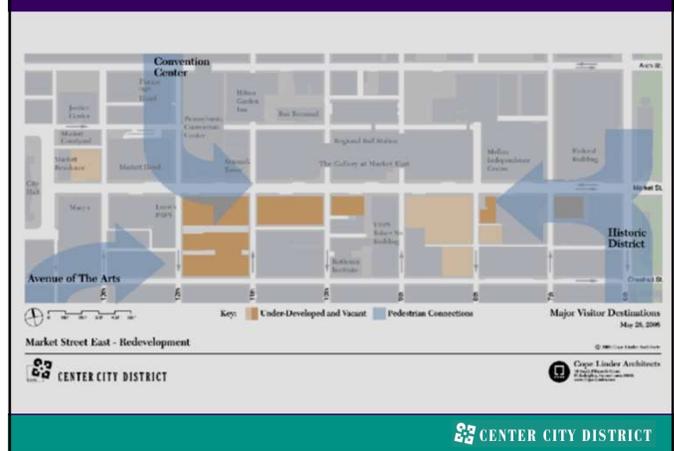
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**Historic area westward to City Hall**



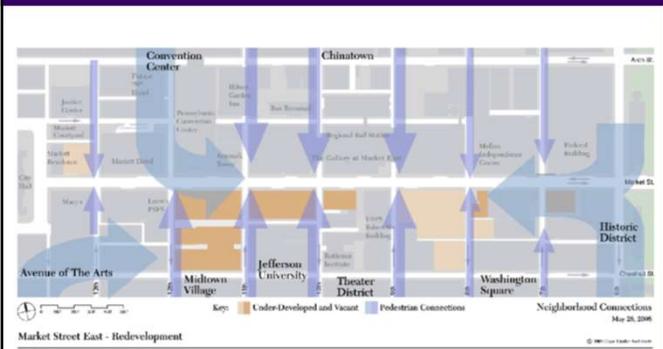
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**Goal: fill in the gaps & link Convention district to historic area**



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### Draw foot traffic from north & south



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### Promise of PREIT's Fashion District: Sept 2019 1.2 million sf new retail, \$910 million new investment



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### Promise of overbuild residences or hotels Restoring density to the street



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### Opened 60% occupied and collided with COVID shutdown



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Unfinished leasing: legacy of 2020



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National's full block re-development, 1100 Market 2017-2019



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Snellenburg



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Had been decapitated in the 1960s



TRANSFORMING

SNELLENBURG & CO. DEPARTMENT STORE

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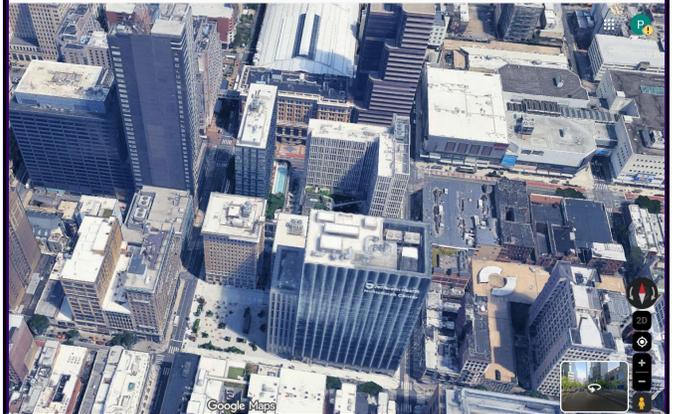
Girard Estate: 2000s



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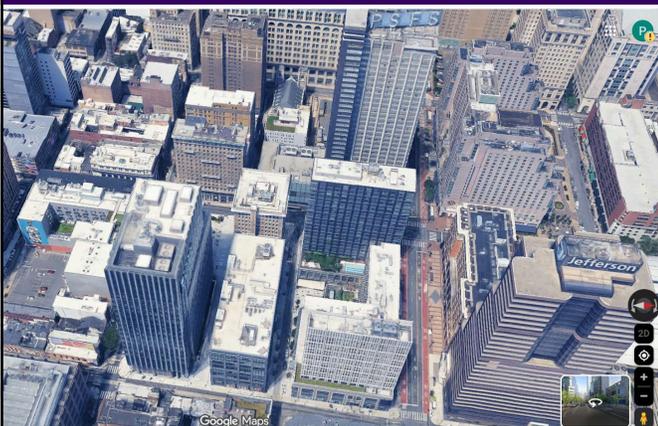
National's redevelopment of 1100 Market Street



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2 residential towers, office renovation; hotel; Jefferson medical building



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Prominent residential towers



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2017-2019; Breaking up the superblock



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With mid block walkways



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Pedestrian amenities



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Mixed-use development with office....



An old commercial building at 1110 and Ludlow has been refreshed with a throwback facade.

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Canopy Hotel

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New Jefferson Clinical Care building & public plaza

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### 2023 Sasaki: Don't just think east/west Improve north/south connections to other neighborhoods

**Mobility**  
Getting To and Moving Through

Market Street plays a major role in the Philadelphia's transit system, with numerous bus and bus routes serving residents, workers, and visitors alike. This functionality should be improved through new investments in infrastructure and operations, in conjunction with new development opportunities:

- Improve **signage and accessibility** to Jefferson Station along 10th and 11th
- Add **raised crossings** to enhance pedestrian comfort at key intersections
- Consolidate and **streamline bus service** and stops along Market Street
- Invest in **new subway headhouses and bus stops** to create a consistent identity and improved access for public transportation
- Invest in **new improved street furniture**
- Add **more greenery** with new street trees, planters, and hanging baskets
- Commission **public art and murals** on blank walls to enrich the pedestrian experience and visual identity of the street
- Enhance **secondary east-west connections** in alleysways north and south of Market Street to build on the scale of spaces created by the East Market project

 A map of Market Street East showing various mobility improvements and connections. The map highlights key locations such as Jefferson Station, Market Street East, and various bus routes. It also shows the locations of new subway headhouses and bus stops, as well as the locations of new improved street furniture and greenery. The map is color-coded to show different types of improvements and connections.

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**Rethinking space between buildings: Market to JFK  
Strengthening N/S connections**



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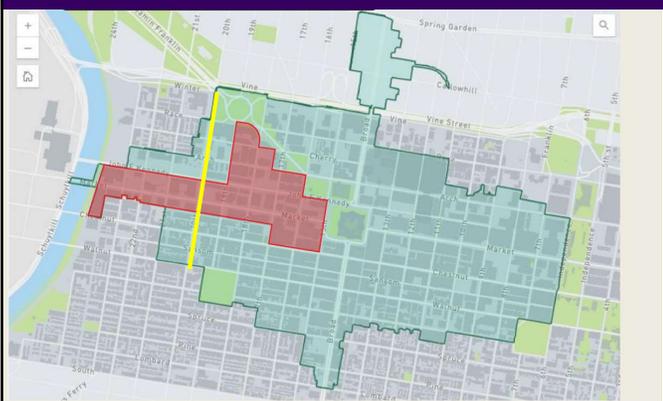
**Comprehensive rethink: for both residents & workers?**

- Inventory current mix: office, residential, hotel, conversions
- Ground floor retail; existing & proposed
- Plazas & spaces between the buildings; N/S
- Allocation of space to cars, pedestrians & bikes
- Enhanced public transit
- Learning from other cities
- What does it take to persuade/incentivize owners to make these investments? City government? CCD?

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**Focus east or west of 20<sup>th</sup> Street**



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**Post WW2 CBD, East of 20<sup>th</sup>**



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University City; Amtrak train station west of 20<sup>th</sup>



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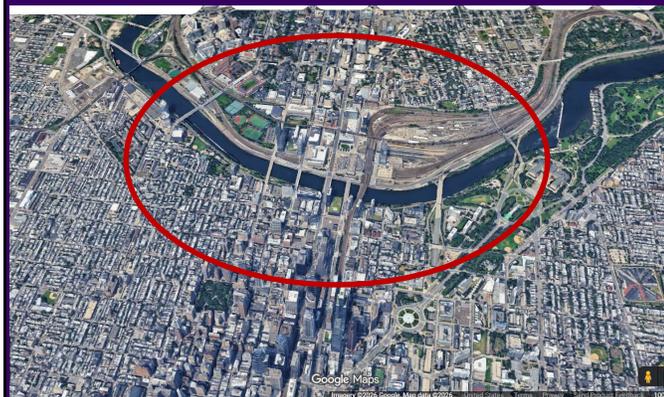
Gravitational pull of University City?



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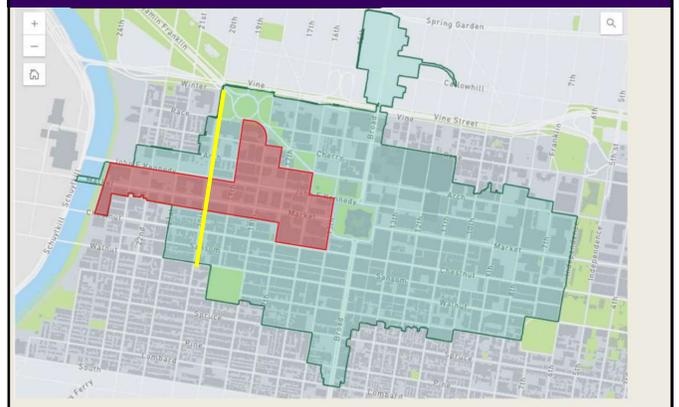
Do we need to think about the “center” differently?



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Focus east or west of 20<sup>th</sup> Street



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**Comprehensive rethink: for both residents & workers?**

- Inventory current mix: office, residential, hotel, conversions
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