



CENTER CITY REPORTS | DECEMBER 2022

Philadelphia's Economic Recovery Continues

(Updated December 20, 2022)

Recovery both in Center City and citywide is progressing by nearly all measures: employment, hotel occupancy, retail and restaurant sales, transit ridership, pedestrian volumes and city tax collections are all up. The rate is slow but steady, though a few employment sectors are still lagging. Most significantly, Philadelphia's unemployment rate fell to 4.7% in October, the lowest point since 1990 with almost 100,000 more city residents working in October than in April 2020.

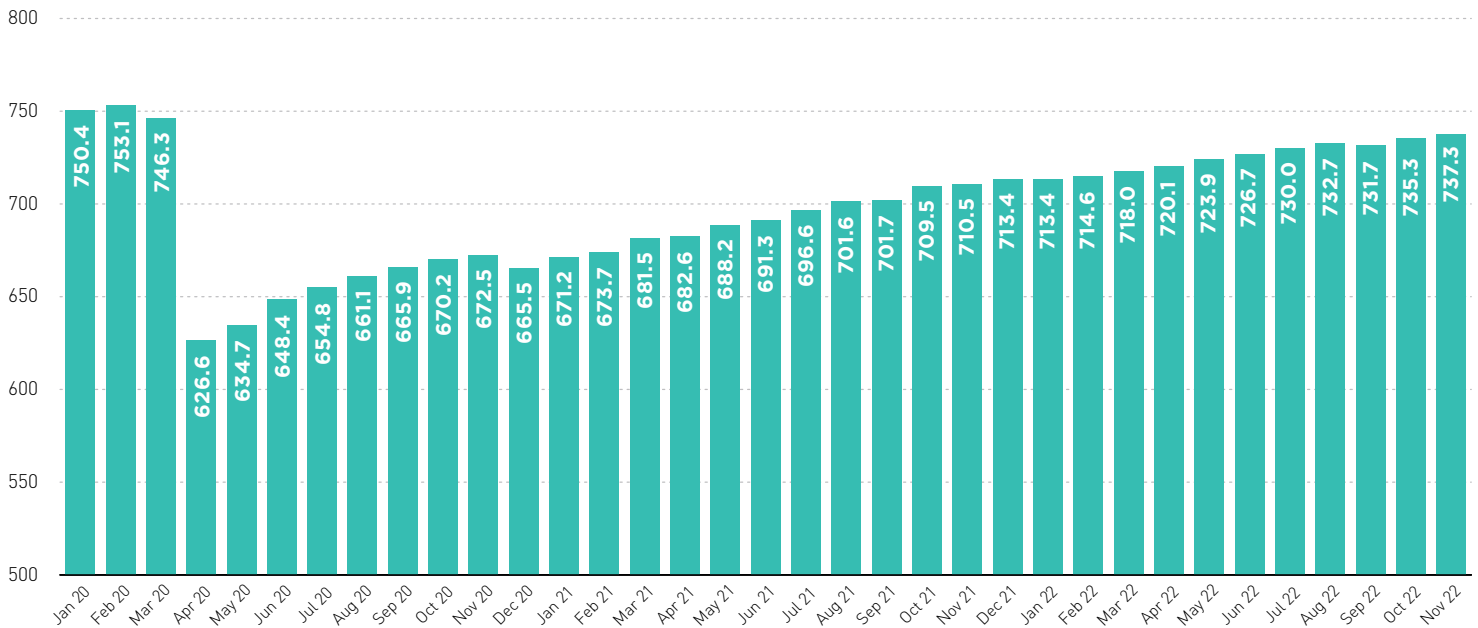
By nearly all measures, recovery is continuing in Center City and citywide

Employment

With monthly job growth of 0.3% between October and November 2022, Philadelphia had recovered 87.5% of the 126,500 jobs lost in the initial two months of the pandemic and, on a seasonally adjusted basis, added 110,700 jobs since April 2020 to reach 737,300.¹ The total number of jobs in Philadelphia in November 2022 was at 97.9% of the February 2020 level. This slightly trails the 11-county metropolitan area, which in November was at 99.7% of its seasonally adjusted pre-pandemic job level, and the U.S. as whole, which surpassed pre-pandemic levels, reaching 100.7%.

The city's slower rate is the product of less robust growth in many sectors and an absolute decline in the information sector, down 2,400 jobs (-15%), leisure and hospitality, off 6,400 jobs (-9%), education services, with 6,200 fewer jobs (-8%) and government, down 3,300 (-3%). Among the sectors that have surpassed February 2020 levels are professional and business services (+5,700 jobs), health care and social assistance (+8,200), construction (+1,100) and wholesale trade (+1,100).

PHILADELPHIA NON-FARM PAYROLL EMPLOYMENT IN THOUSANDS, 2020-2022, SEASONALLY ADJUSTED

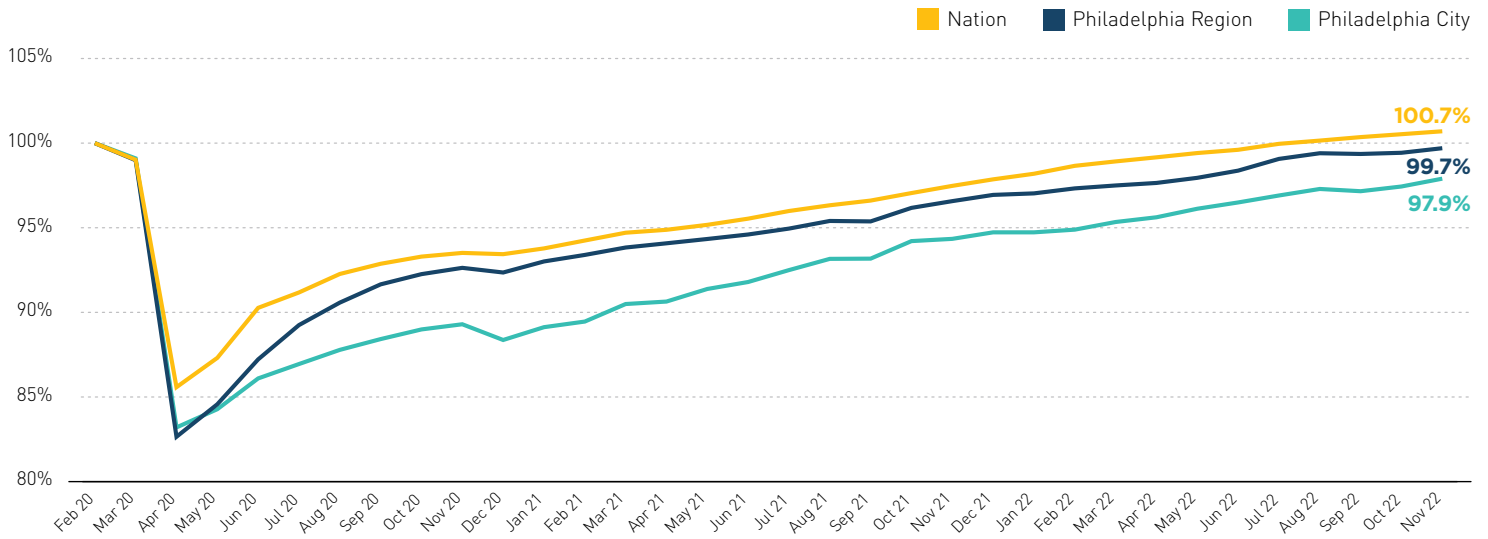


Source: Bureau of Labor Statistics, Current Employment Statistics

As jobs have rebounded, the city's unemployment rate has dropped from **17.1%** to **4.7%**.

1: The difference between the number of jobs in Philadelphia and number of Philadelphia residents working is due to the fact that approximately one-third of jobs in Philadelphia are held by suburban residents and approximately one-third of city residents work in the suburbs.

NONFARM PAYROLL EMPLOYMENT AS A PERCENTAGE OF FEBRUARY 2020, SEASONALLY ADJUSTED, PHILADELPHIA CITY, REGION, AND U.S.



Source: Bureau of Labor Statistics, Current Employment Statistics

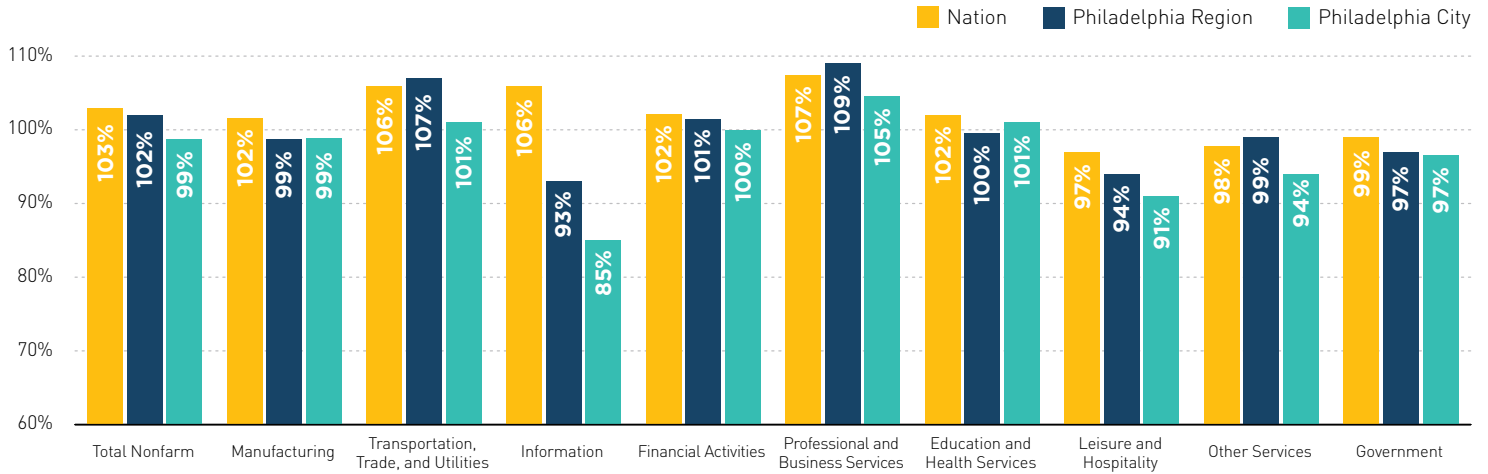
CITY OF PHILADELPHIA EMPLOYMENT BY INDUSTRY (IN THOUSANDS)

	FEB 20	APR 20	% CHANGE FEB 20-APR 20	OCT 22	NOV 22 (PRELIMINARY)	% CHANGE OCT 22-NOV 22	% CHANGE FEB 20-NOV 22	NOV 22 AS A % OF FEB 20
All Industries	753.1	626.6	-17%	735.3	737.3	0.3%	-2%	98%
Mining, Logging & Construction	11.4	6.9	-39%	12.6	12.5	-0.8%	10%	110%
Manufacturing	18.9	14.5	-23%	18.7	18.8	0.5%	-1%	99%
Wholesale Trade	14.5	12.4	-14%	15.5	15.6	0.6%	8%	108%
Retail Trade	48.4	36.3	-25%	47.3	48.1	1.7%	-1%	99%
Transportation, Warehousing & Utilities	30.4	25.4	-16%	29.8	30.5	2.3%	0%	100%
Information	16.2	15.0	-7%	13.9	13.8	-0.7%	-15%	85%
Financial Activities	43.0	41.3	-4%	43.4	43.2	-0.5%	0%	100%
Professional & Business Services	106.4	94.3	-11%	111.5	112.1	0.5%	5%	105%
Professional, Scientific & Technical Services	61.7	58.7	-5%	68.5	69.1	0.9%	12%	112%
Educational Services	78.1	72.4	-7%	71.2	71.9	1.0%	-8%	92%
Health Care & Social Assistance	172.5	158.8	-8%	178.1	180.7	1.5%	5%	105%
Hospitals	58.7	57.4	-2%	59.0	59.3	0.5%	1%	101%
Leisure and Hospitality	74.5	29.1	-61%	69.5	68.1	-2.0%	-9%	91%
Accommodation & Food Services	61.9	21.0	-66%	54.4	54.0	-0.7%	-13%	87%
Other Services	29.0	19.1	-34%	27.4	27.4	0.0%	-6%	94%
Government	107.1	105.6	-1%	103.4	103.8	0.4%	-3%	97%
Federal Government	31.0	31.1	0%	31.2	31.4	0.6%	1%	101%
State Government	10.9	10.6	-3%	10.1	10.1	0.0%	-7%	93%
Local Government	65.2	63.9	-2%	62.1	62.3	0.3%	-4%	96%

Source: Bureau of Labor Statistics, Current Employment Statistics

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

NOVEMBER 2022 EMPLOYMENT AS A PERCENTAGE OF FEBRUARY 2020 BY INDUSTRY, NOT SEASONALLY ADJUSTED



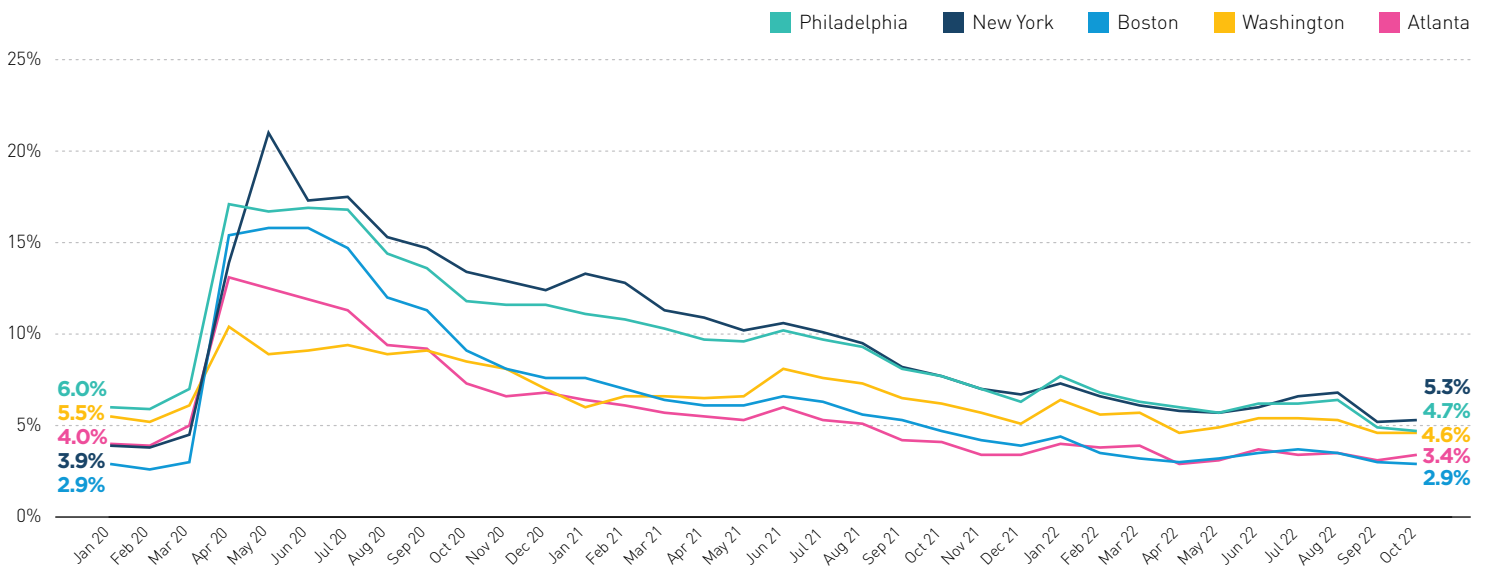
Source: US Bureau of Labor Statistics, Current Employment Statistics

Unemployment Rate

Philadelphia's unemployment rate declined to 4.7% in October, the lowest level since at least 1990. Consistent with other East Coast cities, the unemployment rate in the city declined steadily since a peak in spring 2020. Philadelphia's unemployment rate, as of October, was lower than New York's (5.3%), on par with

Washington (4.6%) and somewhat higher than Atlanta (3.4%) and Boston (2.9%). Among Philadelphia residents, almost 100,000 more were employed in October 2022 (696,000) compared to just 596,900 in April 2020, working at jobs either in the city or surrounding counties.

MONTHLY UNEMPLOYMENT RATE, MAJOR CITIES



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

Office Sector

Newmark data indicate a very small increase in vacancy of 54,800 square feet in the Center City office market in Q3 2022, a level that is well below the more dramatic reductions in 2021, suggesting relative stability.² Asking rents also remain stable at approximately \$34 per square foot. JLL notes that many recent relocations of downtown office tenants are moves to higher quality space in Class A and Trophy buildings, although with smaller footprints, as companies have reassessed their space needs in response to hybrid work.³ CBRE reports that due to greater interest in buildings with state-of-the-art finishes and HVAC, the occupancy rate for Trophy buildings in Center City is approaching 90%, compared to 80% for all other properties. Newmark, JLL and CBRE all report an upturn in the number of tenants in the fourth quarter who were actively looking for office space downtown.

To what extent current conditions become the norm, or there is a gradual return to pre-existing patterns, will depend on the decisions of hundreds of local firms. One current indicator of actual office use are CCD's pedestrian counts in the West Market-JFK office district, which have consistently trended upward this year, increasing by 115% since January. Placer.ai data suggests that in November non-resident workers throughout downtown were at 57% of November 2019 levels while those in the West Market/JFK office corridor climbed to 43%.

Notable transactions in the third quarter of 2022 include the renewal of a lease by Ewing Cole in the Independence Square area. New entrants to the West Market area include Holland & Knight, Barnes and Thornburg, and Capital One.

CENTER CITY OFFICE MARKET TRENDS, 2021-2022

SUBMARKET	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Asking Rent per Square Foot							
East Market	\$32.89	\$32.66	\$32.20	\$32.15	\$32.21	\$32.14	\$32.21
Independence Square	\$31.96	\$31.72	\$31.59	\$31.30	\$31.30	\$31.13	\$31.15
Walnut/South Broad	\$30.99	\$30.49	\$30.53	\$30.70	\$30.96	\$30.45	\$30.39
West Market	\$35.93	\$36.03	\$35.97	\$35.83	\$35.62	\$35.66	\$35.42
Center City	\$34.44	\$34.39	\$34.26	\$34.15	\$34.05	\$34.00	\$33.86
Vacancy Rate							
East Market	15.7%	15.7%	18.9%	18.9%	19.5%	19.4%	19.6%
Independence Square	16.8%	18.8%	20.1%	17.9%	17.8%	17.1%	17.3%
Walnut/South Broad	21.6%	22.1%	21.1%	20.8%	20.0%	20.4%	20.8%
West Market	15.3%	17.3%	17.7%	17.8%	17.7%	17.9%	17.9%
Center City	16.2%	17.7%	18.5%	18.3%	18.2%	18.3%	18.4%
Absorption (Square Feet)							
East Market	(2,787)	(1,225)	(203,006)	(22,773)	262	5,901	(12,686)
Independence Square	14,720	(108,287)	(71,097)	117,992	5,417	38,524	(10,991)
Walnut/South Broad	(55,084)	(20,447)	39,683	13,145	31,813	(16,651)	(16,344)
West Market	(168,815)	(465,433)	(116,155)	(15,648)	16,349	(45,794)	(13,749)
Center City	(211,966)	(595,392)	(350,575)	92,716	53,841	(18,020)	(53,770)

Source: Newmark Philadelphia Office Market reports

2: Newmark Research Q3 2022, *Philadelphia Office Market: More Tenants Return to the Office; New Construction Delivers Downtown.*

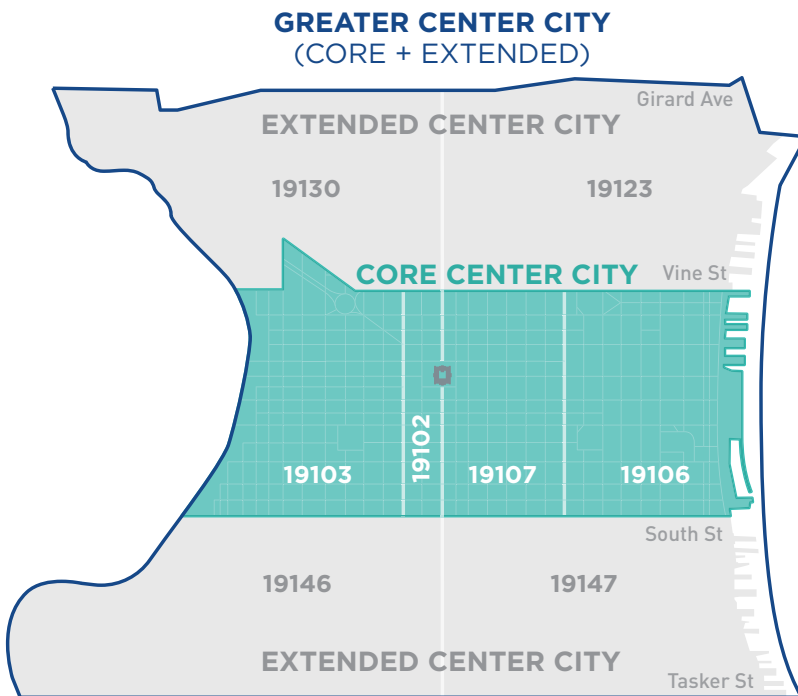
3: JLL Office Insight Q3 2022, *Philadelphia CBD: Despite macroeconomic headwinds, Center City is showing signs of new activity and momentum.*

Retail and Restaurants

In September 2019, 88% of storefronts within the Center City District were open for business. That fell to 54.5% in June 2020, but rebounded to 80.5% by September 2022 with almost two hundred new retailers opening in downtown locations in the last 2 1/2 years.

Using sales tax data available from the Commonwealth by industry, it is possible to track the pace of recovery for retail and restaurants for the eight ZIP codes of Greater Center City (Girard Avenue to Tasker Street) and for the four ZIP codes of core Center City (Vine to Pine streets, river to river) and to compare this to the city as a whole.⁴

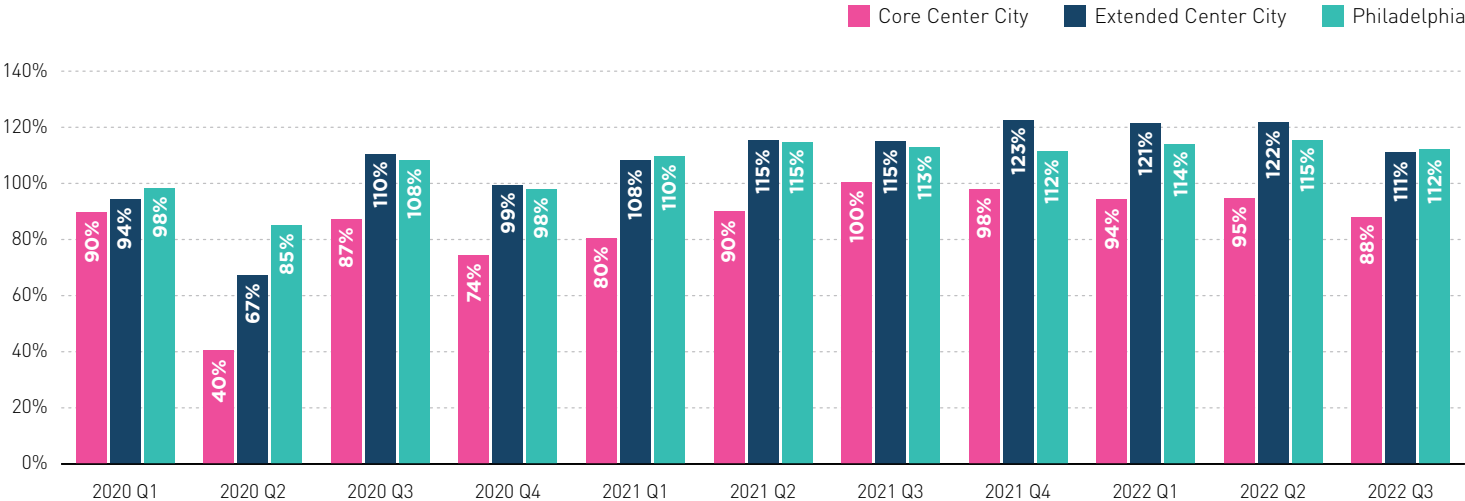
As of the third quarter of 2022, taxable sales by retailers were at 88% of pre-pandemic in core Center City, 111% in extended Center City (Vine to Girard; Pine to Tasker) and 112% citywide, though dropping slightly between the second and third quarters. Sales at restaurants and bars in the core, extended Center City and in Philadelphia as a whole trended steadily upward, reaching 87% of 2019 levels in the core, 93% in extended Center City and 88% citywide by the third quarter of 2022. The differential between core and extended Center City can be accounted for by the absence of full return to office by workers, as well as the partial recovery of tourism and conventions in the core, juxtaposed with the dividends of work-from-home realized by retailers and restaurants in the extended neighborhoods.



Sales tax collections from restaurants in Center City in the third quarter of 2022 reached **87%** of the 2019 level within core Center City and **93%** in the extended neighborhoods, adjacent to downtown.

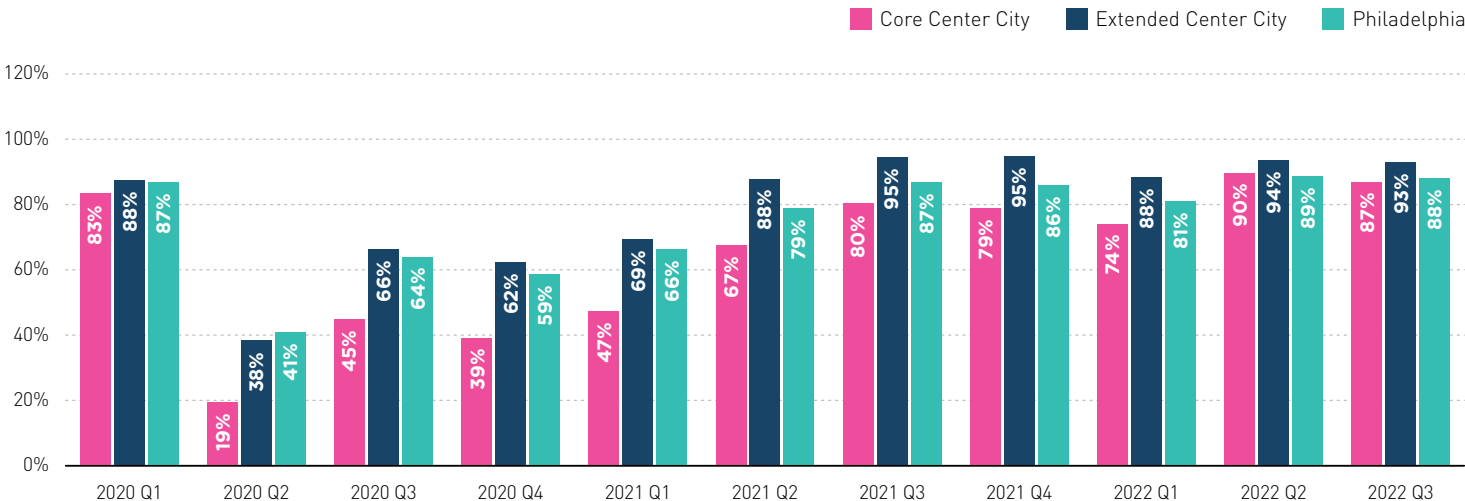
⁴: The retail sector includes grocery, specialty food, health and personal care, clothing, jewelry, luggage and leather goods, florists, electronics and appliances, office supplies and a few other sectors. Due to due to the state Department of Revenue's confidentiality requirements, not all retail sectors are included. Restaurant and bar data includes collections from bars..

LOCAL SALES TAX COLLECTIONS FROM RETAILERS AS A PERCENTAGE OF 2019



Source: CCD analysis of Pennsylvania Department of Revenue data

LOCAL SALES TAX COLLECTIONS FROM RESTAURANTS AS A PERCENTAGE OF 2019



Source: CCD analysis of Pennsylvania Department of Revenue data

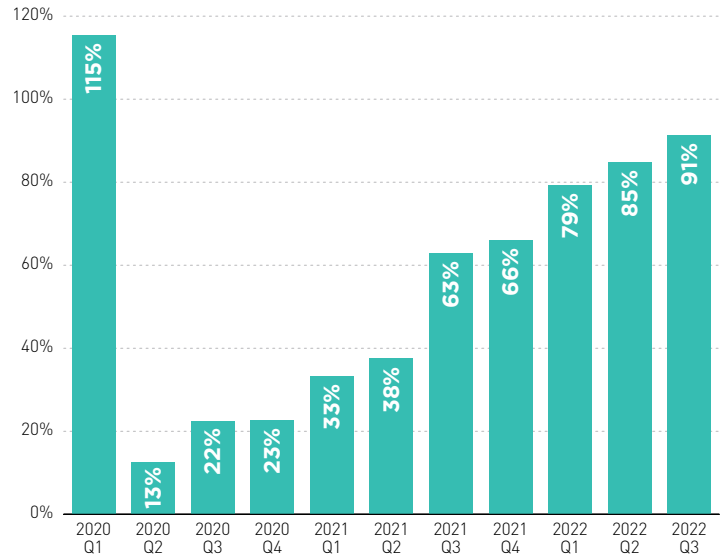
Tourism

Hotel occupancy and room rates have continued to rebound. Citywide hotel tax revenue in the third quarter reached 91% of the comparable period in 2019. Employment has also rebounded sharply. In June 2019, citywide employment in the accommodation sector was at 7,213, plummeting to 2,171 in June 2020, but rebounding by June of 2022 to 7,046 jobs, 98% of the pre-pandemic level.⁵

Local Tax Revenue

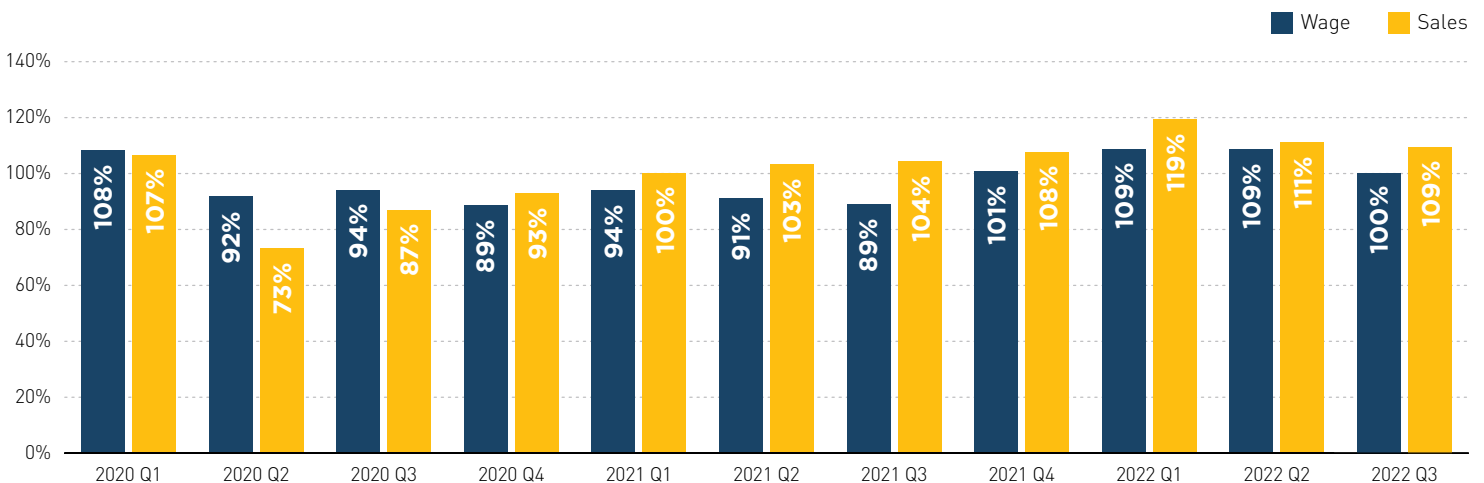
Quarterly City wage and sales tax collections provide additional indicators of recovery. Wage tax collections through the second quarter of 2022 were on an upward path, reaching 109% of Q2 2019 levels. However, collections were just 100.3% of the 2019 level in the third quarter. While this may reflect timing of major payments from employers, which can often impact trends, the decline may also be an indication of the impact of suburban residents working remotely. As already noted, state sales tax revenues grew consistently to 119% of 2019 levels in the first quarter of 2022, but slipped to 109% in the most recent quarter.

QUARTERLY LOCAL HOTEL TAX REVENUE AS A PERCENTAGE OF 2019



Source: City of Philadelphia Department of Revenue

QUARTERLY LOCAL WAGE AND SALES TAX REVENUE AS A PERCENTAGE OF 2019



Source: Wage Tax, City of Philadelphia Department of Revenue; Sales Tax, Pennsylvania Department of Revenue

5: Data are from the Quarterly Census of Employment and Wages, Bureau of Labor Statistics

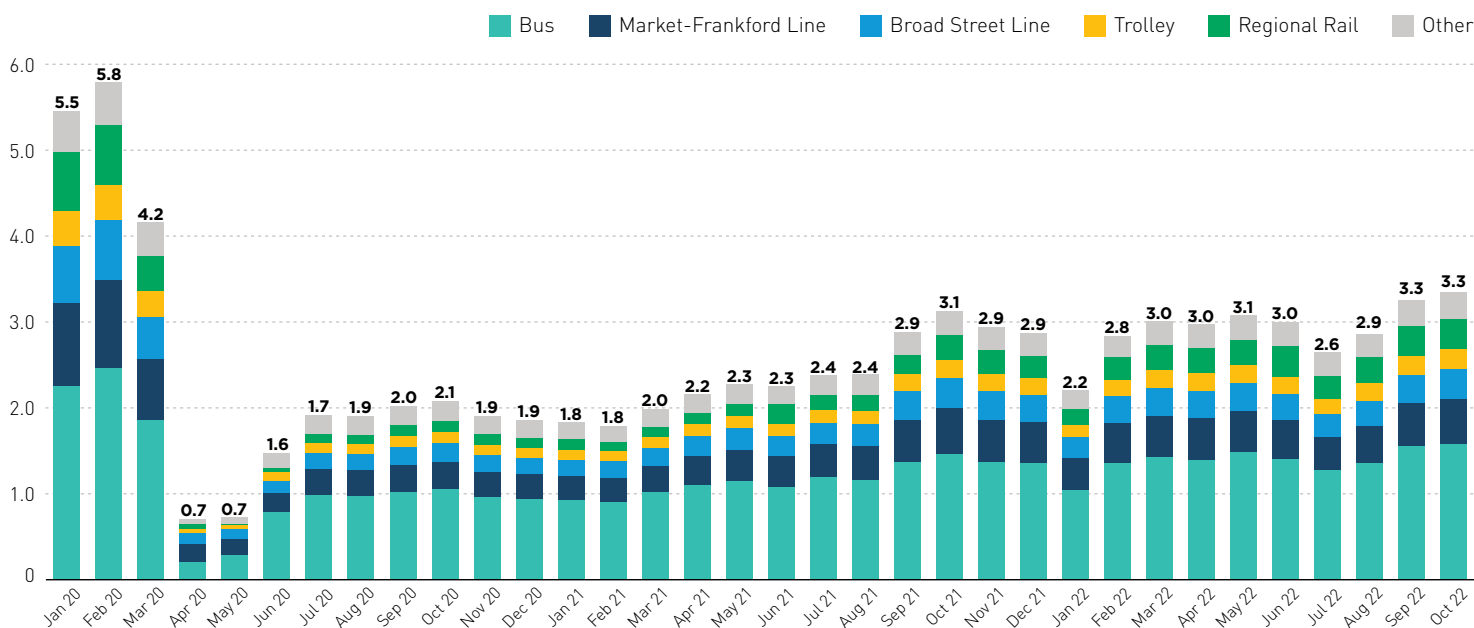
Transit Ridership

Average weekly ridership on SEPTA increased to 3.34 million in October, the highest level since March 2020. Overall ridership was up 2.7% compared to September, with the largest increases on the Broad Street Line (6.7%), Market-Frankford Line (6.3%), and Regional Rail (3.8%). Bus ridership increased 1.2% in October and trolley riders increased 1.1%. Weekly ridership for all modes in October was at 58% of the February 2020 level,

with varying rates of recovery by mode: buses (64%), trolleys (57%), Market-Frankford Line (51%), and Broad Street Line and Regional Rail (50%).

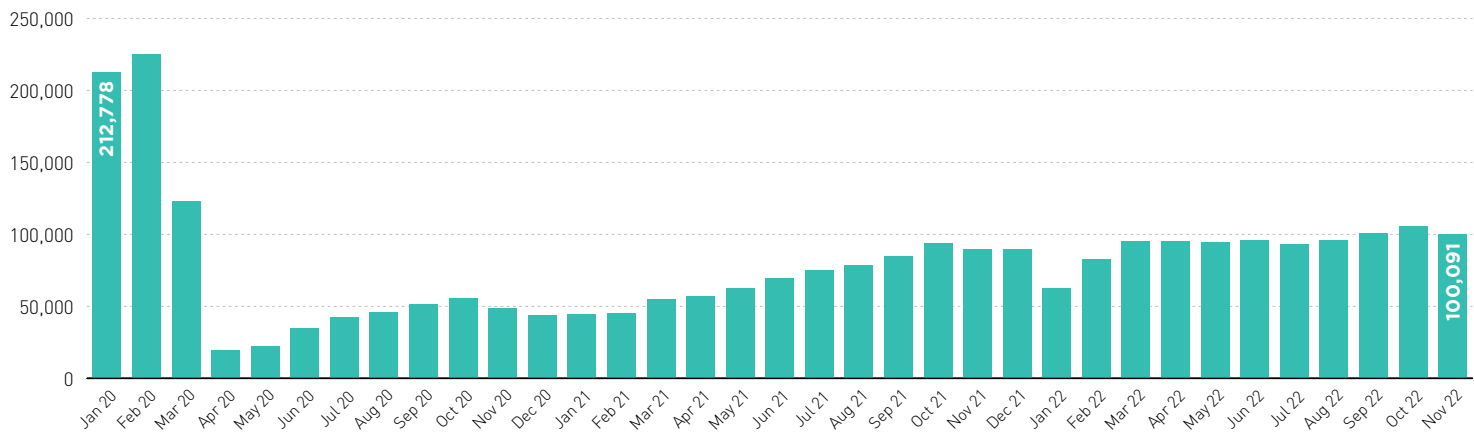
PATCO ridership reached a post-pandemic high point in October 2022, then declined by 5% between October and November to a weekly average of 100,091, still the second highest month of ridership since March 2020.

SEPTA AVERAGE WEEKLY RIDERSHIP (MILLIONS)



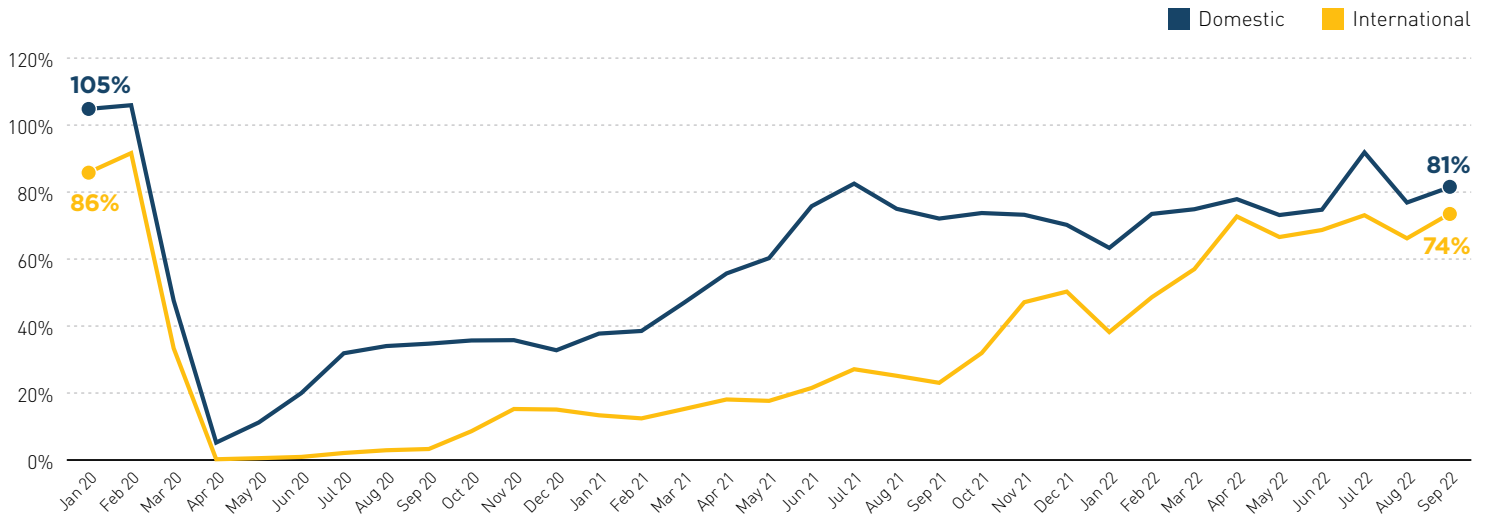
Source: SEPTA

PATCO AVERAGE WEEKLY RIDERSHIP



Source: PATCO

PHILADELPHIA INTERNATIONAL AIRPORT PASSENGER VOLUME AS A PERCENTAGE OF 2019



Source: Philadelphia International Airport, Aviation Activity Reports

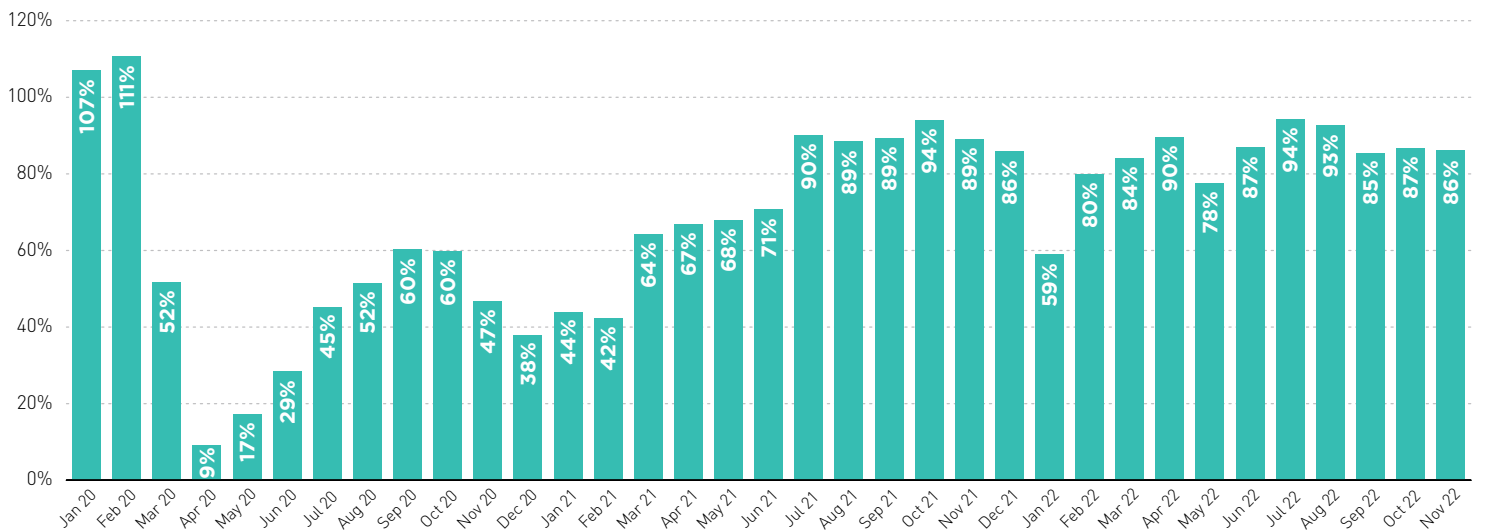
Airport Passengers

Domestic passengers at Philadelphia International Airport reached 92% of the 2019 level in July 2022, which was also the highest domestic passenger level of any month since October 2019. The most recent available data for September indicate 1.88 million domestic and 268,000 international arrivals and departures, 81% and 74% of the 2019 level, respectively.

Off-Street Parking

Since summer 2021, daily parking customers at Parkway Corporation's Center City garages have typically ranged from 80% to 90% of the 2019 level. In November, total daily parking stood at 86.2% of November 2019, even as more commuters returned to public transit options.

DAILY PARKING CUSTOMERS AS PERCENTAGE OF 2019 LEVEL



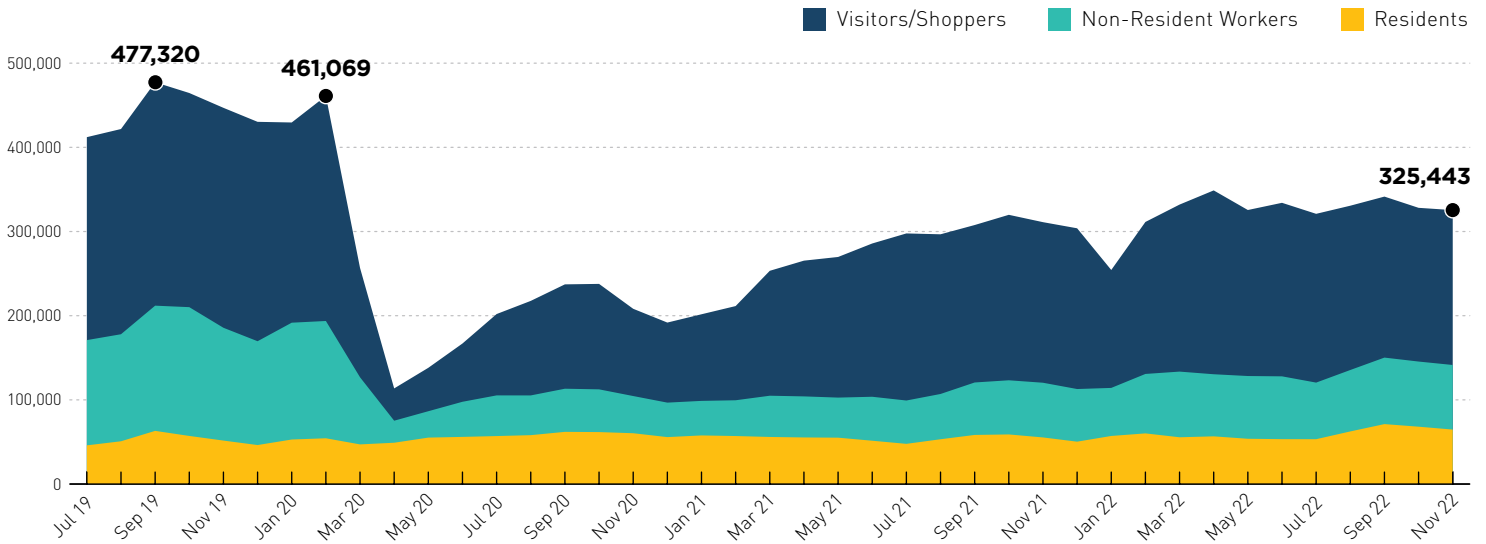
Source: Parkway Corporation

Center City Pedestrians

In April 2020, the daily population of workers, visitors and tourists plummeted below 20% of pre-pandemic levels with even the number of residents slightly dropping.⁶ But residents quickly returned and even more people moved into recently completed new units with residential counts by November 2022 climbing to 125% of 2019 levels. The visitor/shopper/tourist category

rebounded more quickly than non-resident workers and in November 2022 stood at 70% of November 2019 levels. Non-resident workers, who were slow to respond at first, have steadily increased since January of this year and recently rose at a faster rate to 57% of 2019 levels in November 2022.

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



Source: Placer.ai

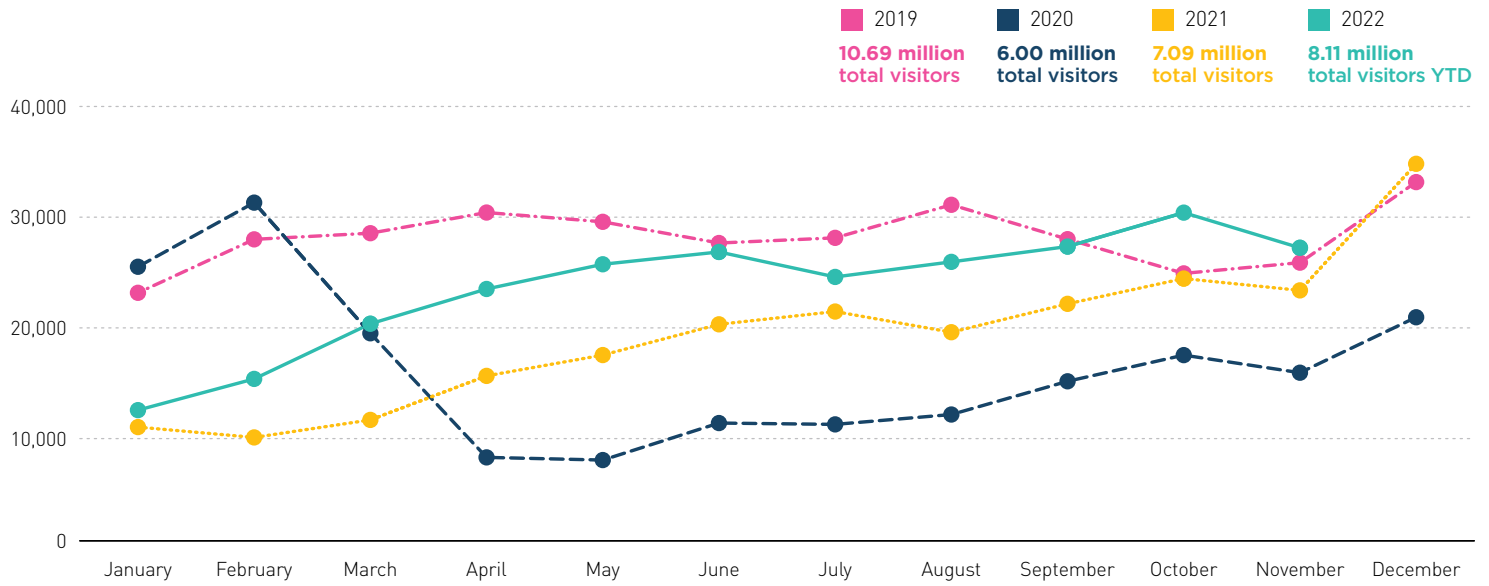
CENTER CITY AVERAGE DAILY POPULATION: RESIDENTS, NON-RESIDENT WORKERS, AND VISITORS AS A PERCENTAGE OF 2019



Source: Placer.ai

⁶ CCD uses Placer.ai statistics for daily estimates of the number of people in Core Center City, the area from Vine to Pine streets, river to river. These data are based on anonymized mobile phone location data and provide the ability to estimate the daily population of residents, non-resident workers, and other visitors, including shoppers, tourists, and convention attendees.

AVERAGE DAILY PEDESTRIANS IN DILWORTH PARK, 2019-2022



Source: Center City District

Dilworth Park

Pedestrian volumes in Dilworth Park continue to grow, with 2022 monthly totals exceeding 2021 in every month through November. In October and November, monthly totals exceeded 2019 visitation levels. At the end of November 2022, 8.03 million people from all parts of the city and region had walked through and visited Dilworth Park, putting the destination on course to host more than 9 million visitors by year end.