

RETAIL MARKET

Retail in Center City continues to diversify and improve with a net increase of 50 new premises in 2007 and an overall 88% occupancy rate among downtown's 2,400 retail premises. More than 160,000 private- and public-sector office workers, 43,500 healthcare and education workers and 28,000 students provide a strong daytime base for downtown retail. Investment in the Avenue of the Arts and the hospitality industry, beginning in the early 1990s, produced strong, new, evening retail demand. Fine dining restaurants have grown by 240% since 1992 and, with 220 establishments, have become the largest single retail sector downtown, and the number one reason why regional residents come downtown. Downtown restaurants were the focus of two highly successful CCD Restaurant Week promotions in 2007 with almost half of the patrons coming from outside the city of Philadelphia.

As more young professionals and empty nesters chose to make their home in Center City, gyms and spas along with furniture stores began to proliferate. In 2007, for the second year in a row, these two types of premises were among the fastest growing retail establishments downtown, increasing by 19% and 25% respectively. Another indicator of new wealth and business vitality downtown was the 20% increase in banks and financial institutions since last year, with deposits more than doubling since 2000 to over \$26 million. In 2007, the Reading Terminal Market opened its doors to Sunday shoppers and reported a total annual increase of 5.3% over 2006.

Foot traffic, as measured by the Center City District's annual pedestrian counts, remained strong. Establishments with outdoor seating increased in 2007 by 10% over 2006, bringing the total to 205 venues with 3,200 seats that animate sidewalks and expand the business capacity of restaurants and cafes.

Other notable additions to the retail scene include the first urban location of Five Below, a 60-store chain aimed at preteens, a second H&M, F.Y.E., Fogo De Chao and Potbelly Sandwich Works. At the same time, Walnut Street west of Broad, home to such well-known brands as Brooks Brothers, Steve Madden, BCBG, Cole Haan and Kenneth Cole, continues to gain in prominence as the region's premiere shopping destination. From 2000-2007,

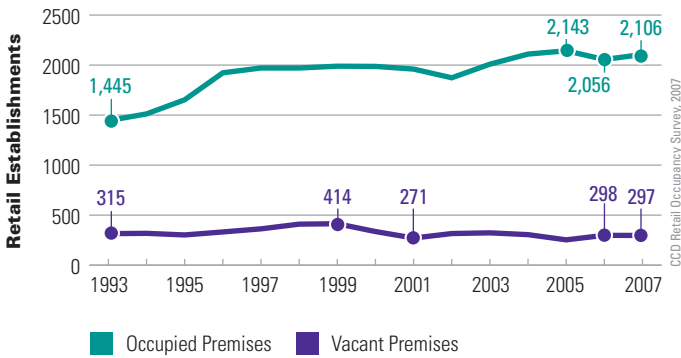
retail rents along this corridor increased 119% to an average \$120 per square foot. New York transplants are also fueling demand for high-end retailers in Center City, evidenced by recent announcements of 2008 Walnut Street openings for Barney's Co-Op and Armani Exchange.

With occupied office space increasing and new residential and hotel projects coming online in 2008, Center City can expect continued retail improvements downtown that should transform weak blocks on both East Market and East Chestnut streets in the coming years.



J.B. Abbott

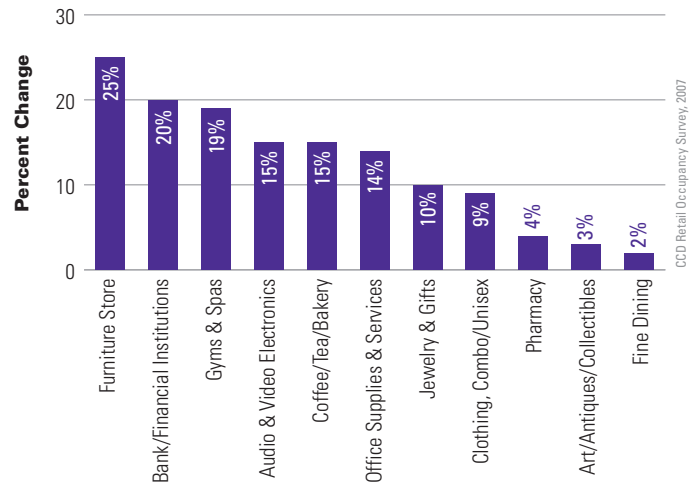
Retail Occupancy, 1993–2007*



* For consistency with years before 2002, retail spaces under construction are counted as occupied retail spaces. Retail construction spaces are counted in the total number of spaces when calculating vacancy.

These numbers do not include Old City & Society Hill.

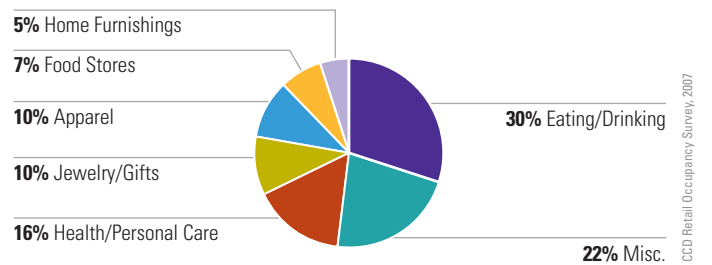
Retail Growth by Number of Premises, 2006–2007



Retail Stores by Number of Establishments, 2007

Retail Category	Count
Fine Dining	220
Sandwich/Take-out/Fast Food	213
Jewelry & Gifts	211
Hair & Nail Salon/Cosmetics	154
Convenience/Grocery Store	132
Bank/Financial Institutions	110
Coffee/Tea/Bakery	94
Dry Cleaner/Tailor/Shoe Repair	72
Art/Antiques/Collectibles	70
Women's Clothing	62
Bar/Nightclub	59
Book Store/Newstand	53
Clothing, Combo/Unisex	50
Gyms & Spas	44
Office Supplies & Services	43
Audio & Video Electronics	39
Shoes	32
Pharmacy	28
Hotel	27
Optical Store	26
Telephones/Cell Phones	25
Furniture Store	25
Flower Store	20

Composition of Retail Market by Number of Establishments, 2007



Why do you come to Center City?

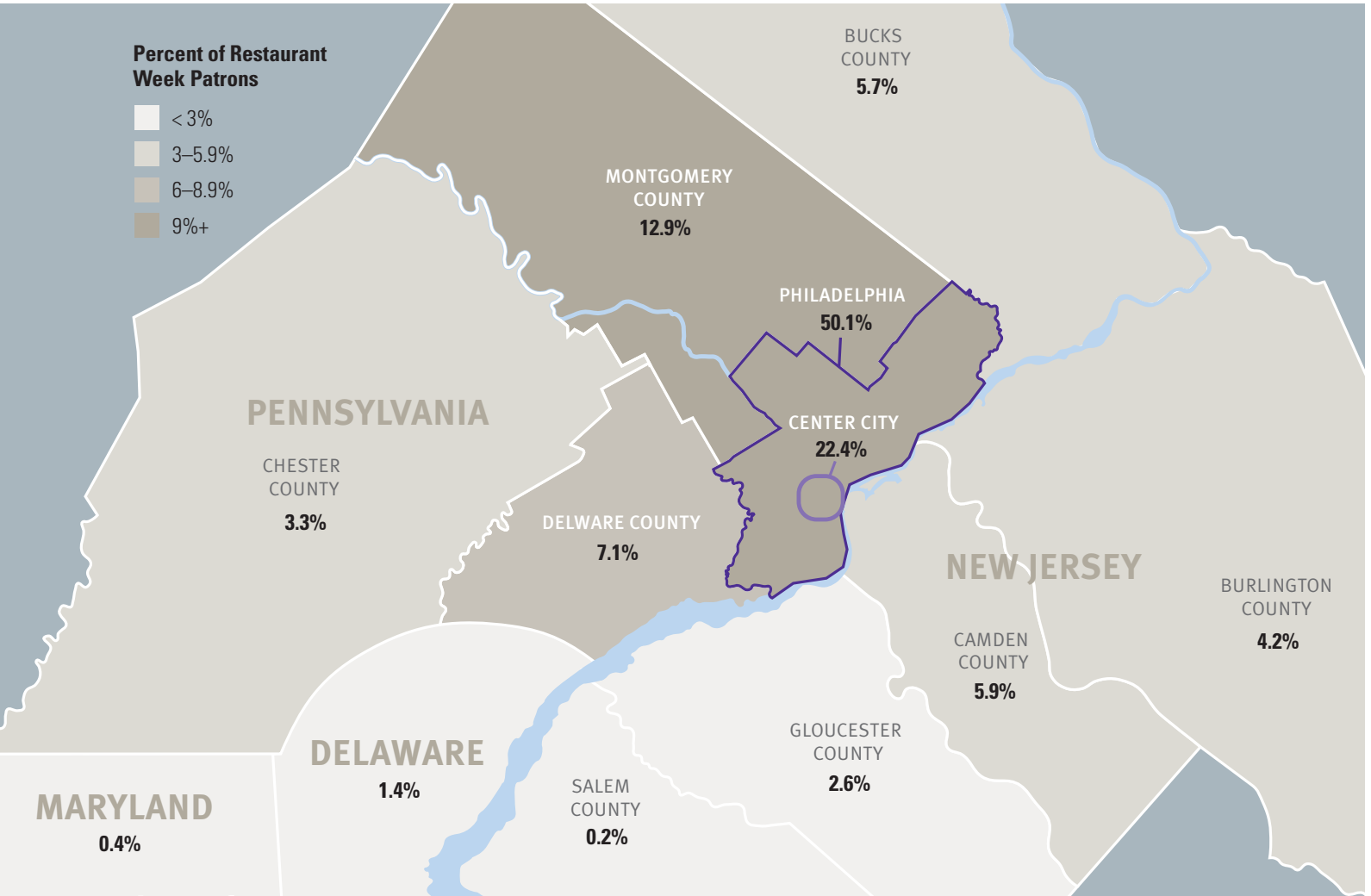
Retail Category	Respondents*
Dine	83%
Attend arts & cultural events	69%
Shop for myself	54%
Shop for gifts	53%
Bars, clubs, nightlife	51%
Work here	41%
Shop for necessities	33%
Live here	32%
Visit friends	31%
Sightsee/tourist	27%
Visit family	8%
Attend school here	6%
I don't come to Center City	0.2%
Total Respondents	4,084

* adds to more than 100% because respondents gave multiple reasons for visiting.

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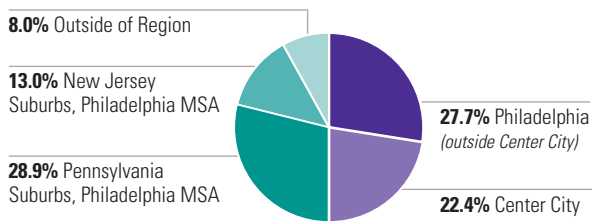
CENTER CITY DISTRICT RESTAURANT WEEK

2007 Center City District Restaurant Week Patrons*



* In 2007, 14,638 of the 199,319 diners who attended Center City District Restaurant Week responded to a survey asking them where they live. 22.4% lived in Center City, 27.7% lived elsewhere in Philadelphia, 41.9% lived in the surrounding Pennsylvania and New Jersey counties and the remaining 8% came from further outside the region.

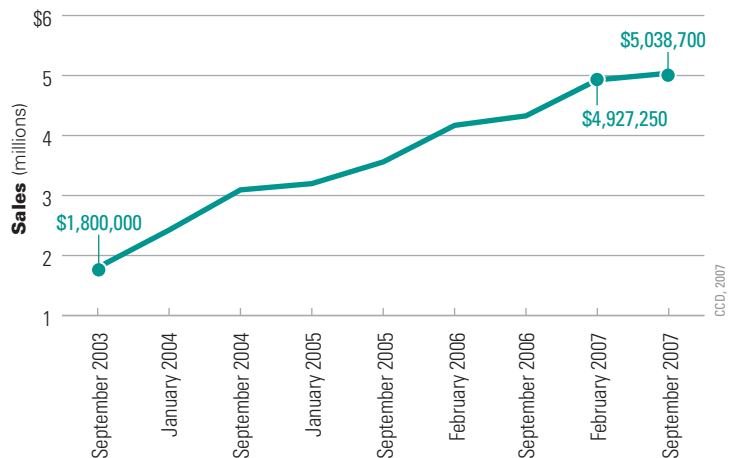
2007 Center City District Restaurant Week Patrons*



CCD Restaurant Week Diner Surveys, 2007

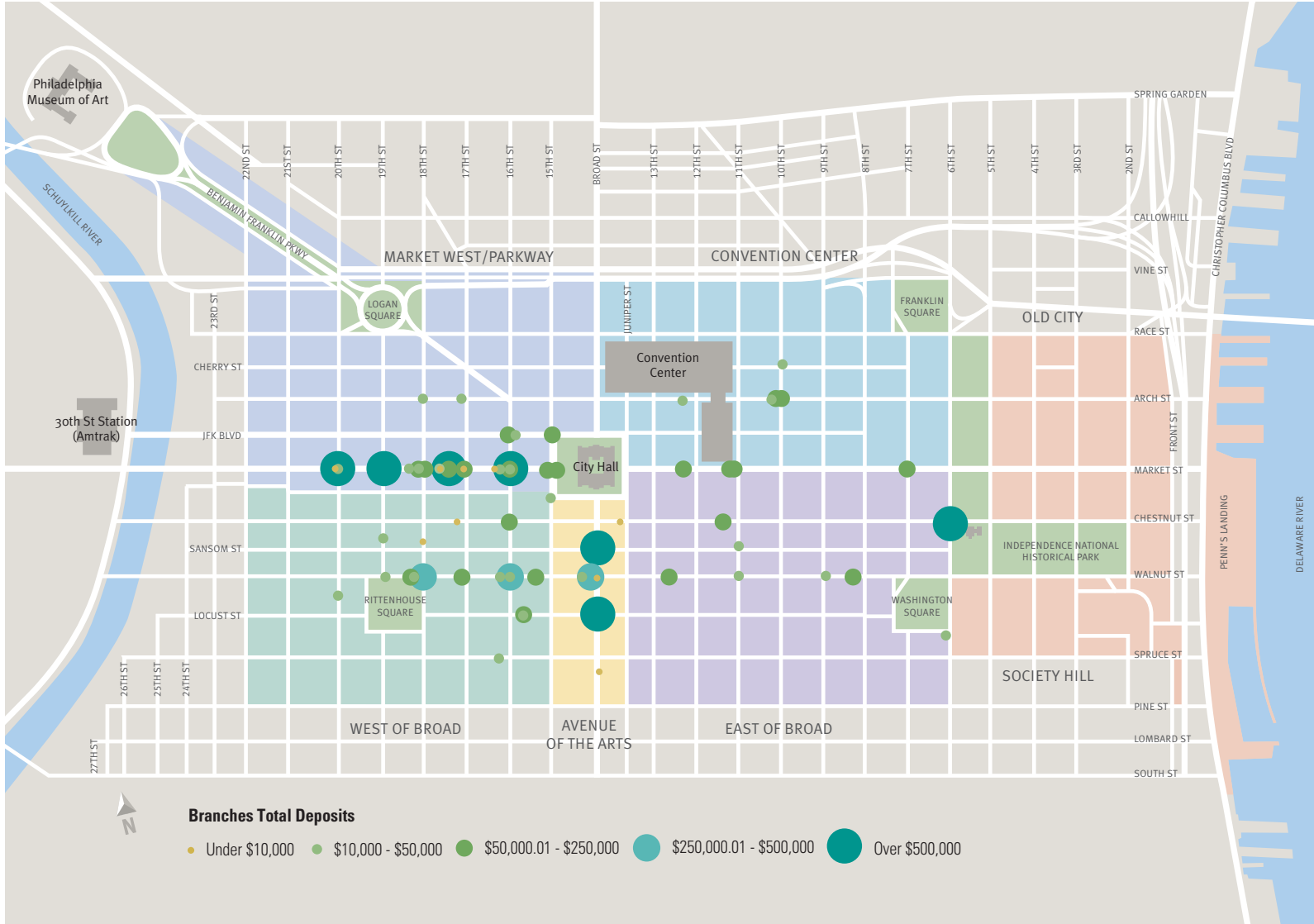
* Includes both 2007 Restaurant Weeks

Center City District Restaurant Week Total Sales, 2003-2007

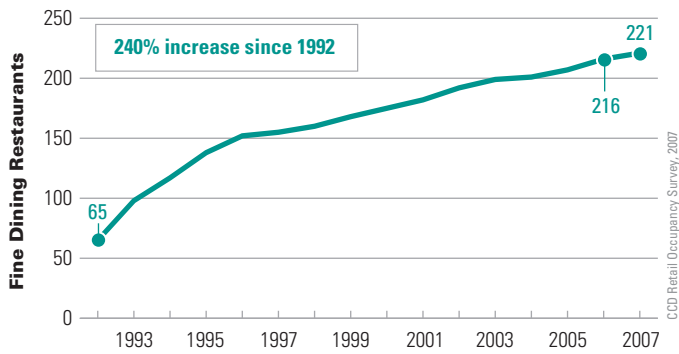


CCD, 2007

Center City Banks



Center City Fine Dining Restaurants, 1992-2007



Bank Branches & Deposits in Center City, 1998-2007

