

RETAIL MARKET

Despite the dramatic slowing of the national economy, the occupancy rate for downtown's 2,300 retail premises increased from 88% in 2007 to 90% in 2008. With Center City employment holding steady, retailers benefitted from the addition of 13,133 new downtown residents in the last decade and an increase in tourists, convention attendees and attendees at arts and cultural venues. Center City's compact, walkable environment makes it easy for individuals who are downtown for one reason to explore adjacent districts.

Eating and drinking establishments of all kinds account for one-third of downtown retail premises with fine dining topping the list at 217 establishments, a 234% increase since 1992. Sandwich, take-out and fast food establishments were second with 206 premises. The Reading Terminal Market, one of the country's best-known traditional markets, hosted a total of 5.6 million visitors in 2008.

But for the first time in 16 years, the number of fine dining restaurants declined from a peak of 221 in 2007. While clearly a symptom of the recession, this is not a sign of impending doom. As restaurants in Center City grew from 175 in 2000 to 217 in 2008, an average of 17.8 restaurants closed in each of those years. But they were replaced by an average of 29.5 new dining establishments that opened each year. In 2008, the volume of new establishments willing or able to get financing simply wasn't sufficient to outpace the normal rate of closure.

But the number of outdoor cafes still increased by 5% from 2007 to 2008 as 215 outdoor venues with more than 3,300 seats animated downtown sidewalks.

West Walnut Street continued to add high quality retail to an already diverse mix with the addition of LaCoste and Armani Exchange, as rents steadily increased to over \$120 per square foot. East of Broad, the new Blick Art Materials and the addition of a Home Store to Macy's added to an improving retail environment, while several developers continue to work on improving blocks on East Chestnut and Walnut streets. A key parcel to track in 2009 is Girard Square between 11th and 12th, Market and Chestnut streets. A key project to watch is the Foxwood Casino, now planned for the former Strawbridge building at 8th and Market streets, and whether it can provide enough resources and momentum to transform the balance of The Gallery at Market East.

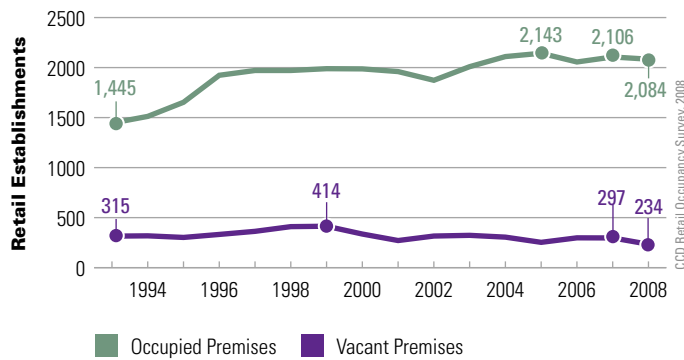
New residents helped drive a 17% increase in gyms and fitness centers, a 7% increase in pharmacies and a 12% growth in cosmetic stores. Other growth sectors include hotels at 15% and music/video stores at 25%. The number of bank branches in Center City also grew by five in 2008 with deposits reaching \$27.9 million.

Center City's retail improvements have been the by-product of other market trends, not the direct result of a planned strategy. While restaurants and cafes are flourishing and many one-of-a-kind shops are animating blocks that were devoid of life a decade ago, there are still significant gaps that cause the city to lose market share to the suburbs and to other cities. In 2008, the CCD, the Philadelphia Convention & Visitors Bureau, the Greater Philadelphia Tourism Marketing Corporation, and the City of Philadelphia began to work collaboratively with major retailers and brokers on a coordinated strategy to reposition and improve Center City retailing as the national economy rebounds.



Window at Joan Shepp

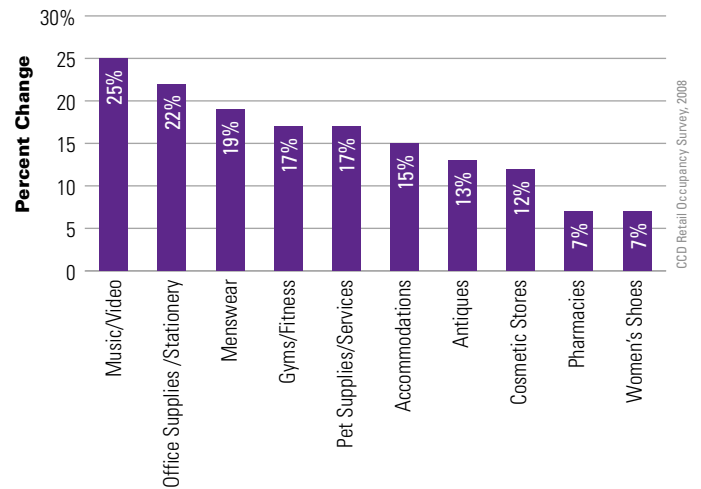
Center City Retail Occupancy, 1993-2008*



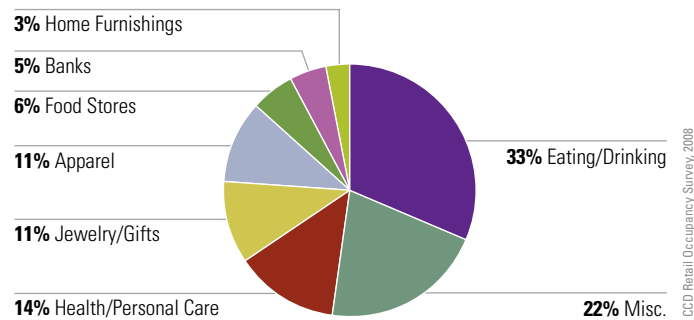
* For consistency with years before 2002, retail spaces under construction are counted as occupied retail spaces. Retail construction spaces are counted in the total number of spaces when calculating vacancy.

(These numbers do not include Old City & Society Hill)

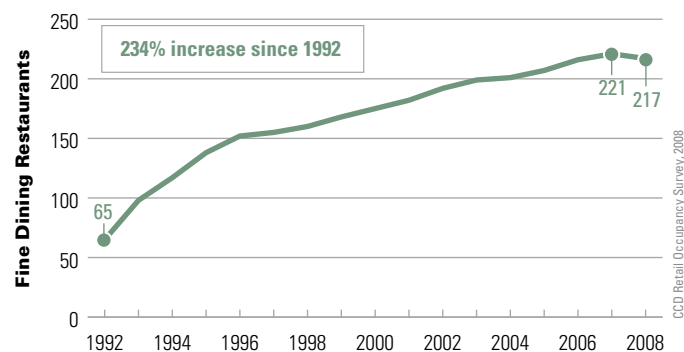
Center City Retail Growth by Number of Premises, 2007-2008



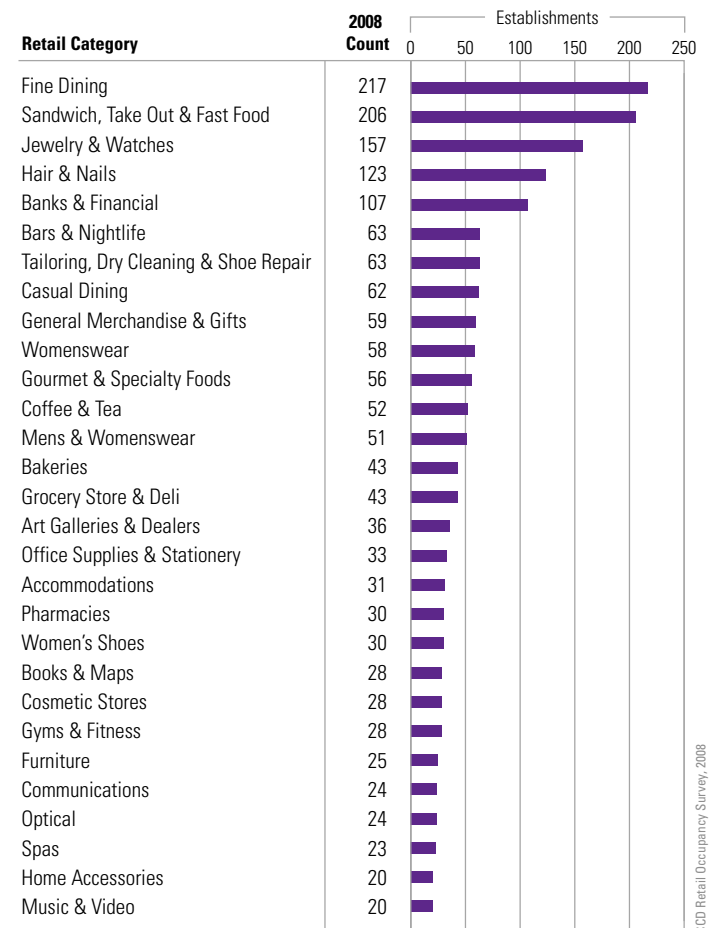
Composition of the Center City Retail Market by Number of Establishments, 2008



Center City Fine Dining Restaurants, 1992-2008



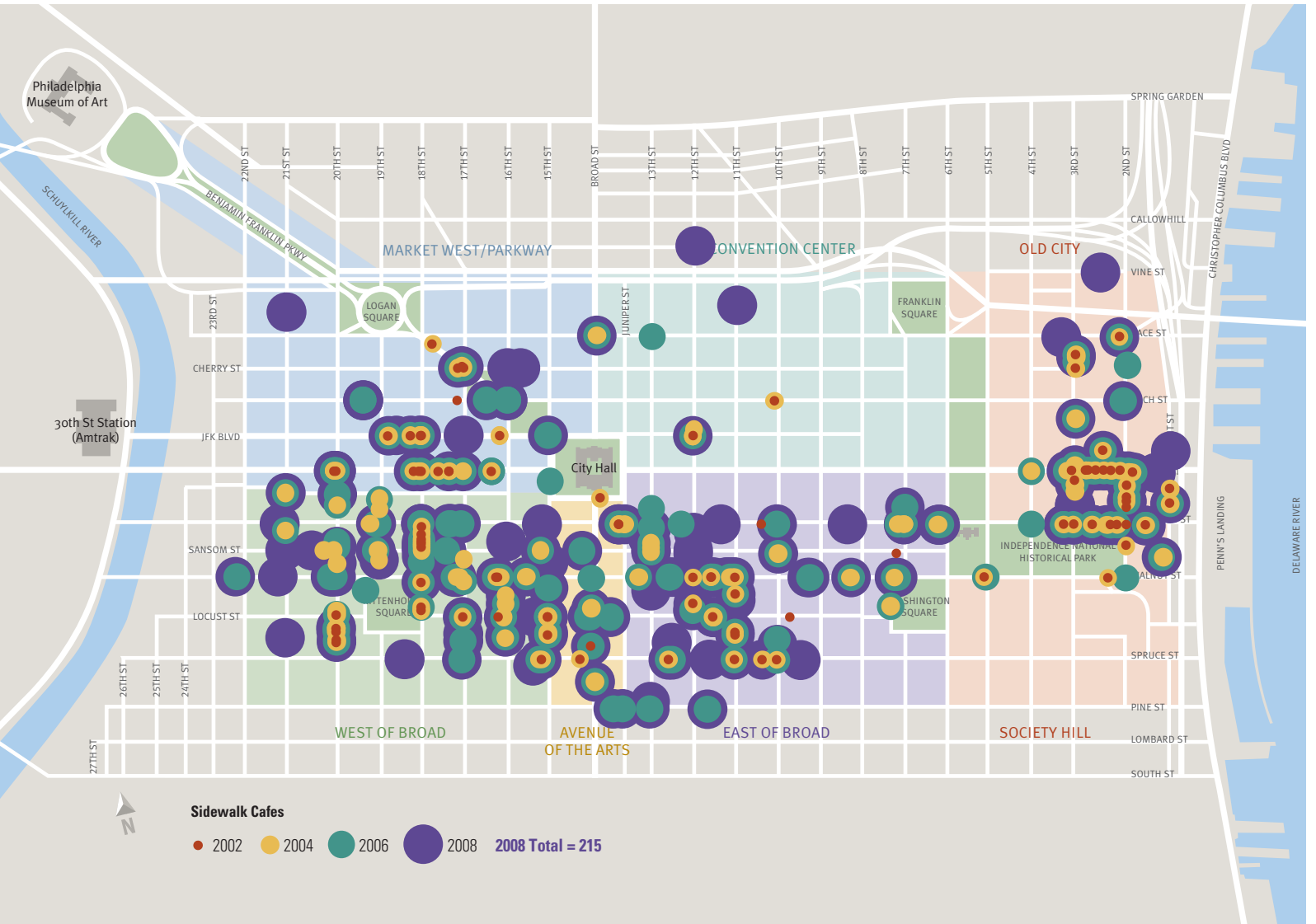
Retail Stores by Number of Establishments in Center City, 2008



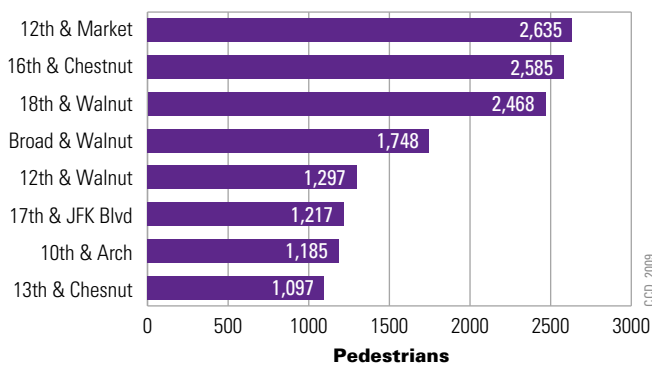
RETAIL MARKET

OUTDOOR CAFES, PEDESTRIAN COUNTS AND RESTAURANT WEEK

Growth of Outdoor Cafes, 2003–2008

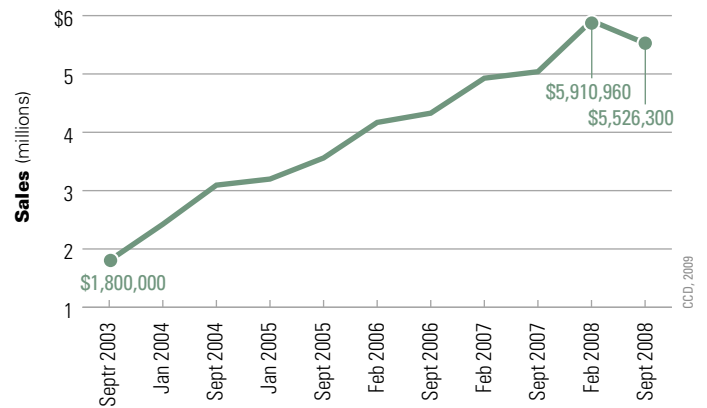


Pedestrian Counts, Hourly Average, 2008*

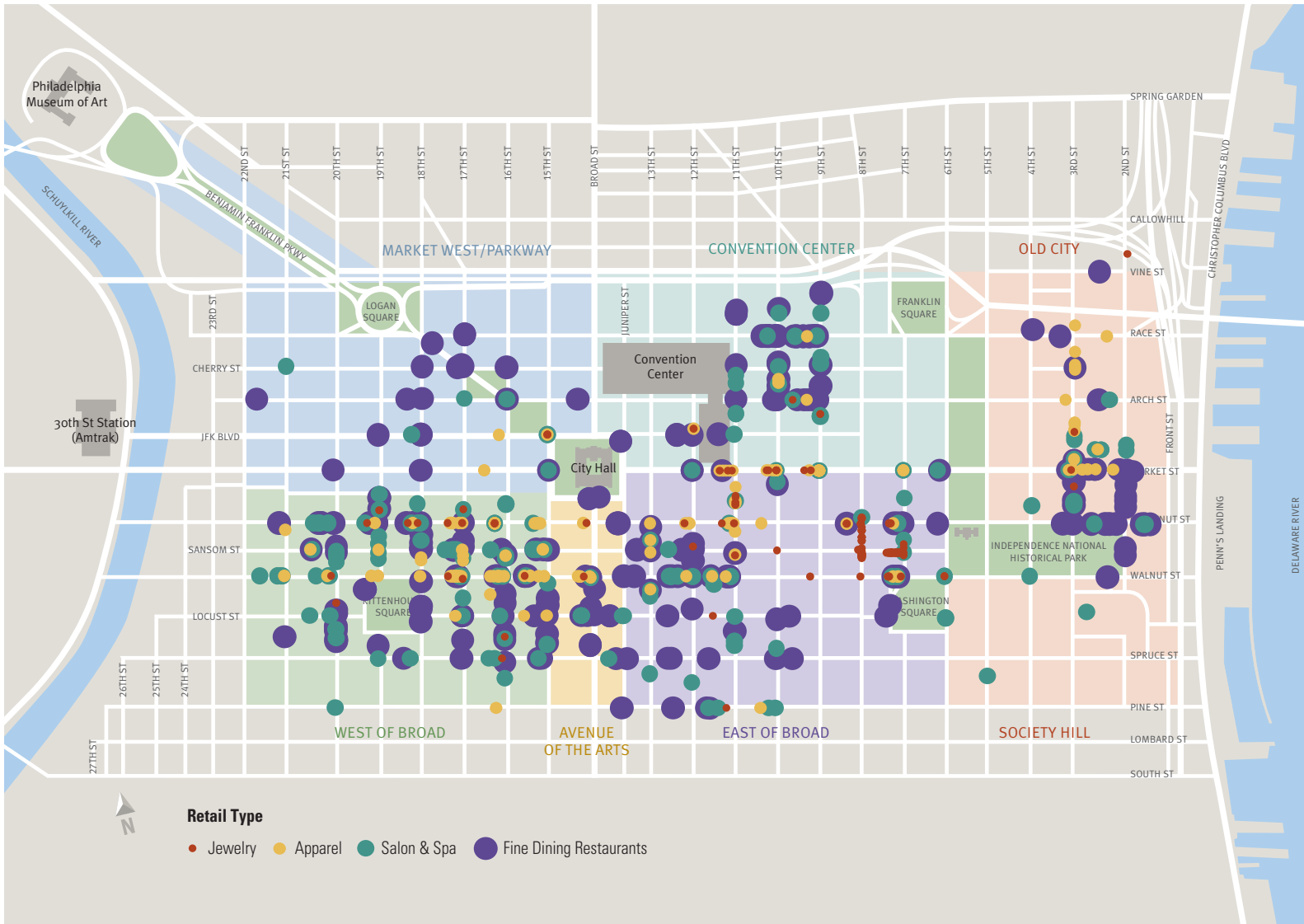


* Each location was surveyed between 11am and 2pm over five weekdays from June 11 through June 24.

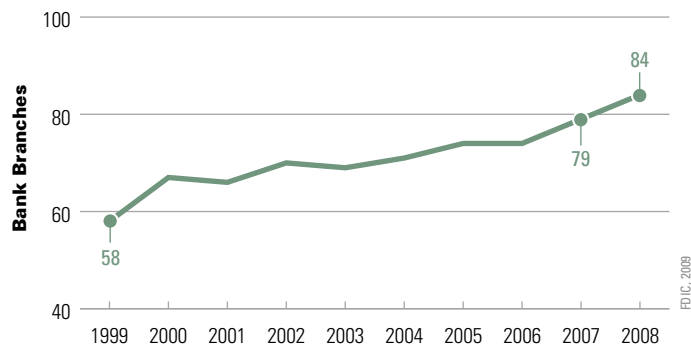
Center City District Restaurant Week Total Sales, 2003–2008



Center City Retail Density, 2008



Bank Branches in Center City, 1999–2008



Bank Deposits in Center City, 1999–2008

