Center City’s flourishing retail scene builds on more than two decades of mixed-use development, with residential, convention and tourism growth broadening the historic base of retail customers provided by office tenants and educational and health care institutions downtown. Today, 305,000 workers, 193,000 residents, 112,000 college students and 3.5 million occupied hotel room nights combine to create more than $1 billion in retail demand annually.

Downtown Philadelphia’s increased purchasing power has attracted more than 77 national retailers in the last five years. These stores add to the mix of local boutiques and independents, while creating both entry-level and higher-skilled jobs. They also solidify Center City’s status as a regional shopping destination.

While Center City is feeling the pressures that are affecting retailers nationwide, occupancy on the prime retail corridors of Walnut and Chestnut streets from Broad to 20th streets is a healthy 94.6%, sustained by downtown’s desirable demographic of millennials and affluent empty nesters and augmented by visitors and students. By comparison, Reis Inc. reports retail vacancy at 10.2% nationally, while Colliers International puts regional vacancy at 9.2%. Shopping malls in the Philadelphia region, which once drew retail away from the downtown, are now seeing higher vacancy – up to 12.4% at the end of 2018. But Center City’s density, diversity and walkability has created significant opportunities for retailers who know how to capitalize on the demographic changes that are reshaping urban cores.

Globally, retailers are challenged by the need to find the ideal mix between online and brick-and-mortar locations. Those who achieve that balance, however, create unique environments that bring shoppers into stores and create memorable experiences. Although in-store retail sales are down in certain market segments nationally, Center City is benefiting from a range of categories and concepts experiencing the most growth. These include grocery, home and garden, wellness and beauty, food and beverage, value/outlet and online retailers opening brick-and-mortar locations. In particular, Center City has experienced strong growth in boutique fitness (+22), quick service restaurants (+22), and click-to-brick tenants (+10) during the past five years.

The latest retailers to announce a Rittenhouse Row address include Rumble Boxing, Red Wing, The Tie Bar, Brandy Melville, Marine Layer, Shakespeare & Co., Scotch & Soda, and MM.LaFleur. Limited space and strong demand from brands seeking to enter the Center City market have led retailers to locate in burgeoning Center City East, particularly those seeking lower
rents and larger floor plates. Tenants including Polo Ralph Lauren, Forever 21, Levi’s, Guess, Asics, Ulta, T.J. Maxx, H&M, City Fitness, AMC Theaters, City Winery, Iron Hill Brewery, P.J. Clarke’s, Shake Shack, Federal Donuts and Little Baby’s Ice Cream have helped revive Philadelphia’s historic department store corridor. There has also been an uptick in big-box retailers signing leases in neighborhoods surrounding the core of the downtown in larger developments recently completed or under construction, including PetSmart, Sprout’s Farmers Market, Aldi, Giant Heirloom, and several Targets.

Demand is driving more than 1.4 million square feet of retail currently under construction with development surging east of Broad Street, with some of Philadelphia’s most ambitious retail and mixed-use projects. New developments on Market East represent a $910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall.

Surging pedestrian volumes on major downtown streets are key indicators of change. While most of Center City’s pedestrian traffic peaks during the week around lunchtime and late after-
noon, the area between Rittenhouse Square and Broad Street remains animated through the weekend and during evening hours, underscoring its status as a destination for retail and entertainment. New retailers have transformed the area around 16th and Chestnut streets from a less desirable location into one where pedestrian counts have increased by 45% over 2013 volumes. West Chestnut Street’s transformation, as well as the increased growth underway on East Market Street, are powerful indicators that destination retailers can locate anywhere in Center City’s walkable downtown and shoppers will follow.

While new restaurants and dining districts continue to emerge in surrounding neighborhoods, Center City continues to be the epicenter for the top restaurants in the country. The 468 full-service restaurants between Vine and South streets, river to river, helped solidify Philadelphia’s No. 1 spot on Travel + Leisure magazine’s “East Coast Food Cities” list, ahead of both New York City and Boston. Restaurants are also becoming an important component of the merchandising mix of large-scale retail developments opening in Center City, reflecting how customers want to spend their time and money.

Center City retail growth has been strongly supported by the Philadelphia Retail Marketing Alliance, a collaboration of the CCD, City of Philadelphia, PIDC, the Philadelphia Convention & Visitors Bureau, Visit Philadelphia, and major downtown retail brokers. This business attraction initiative includes direct outreach to brokers and store representatives, detailed data and research on market trends, advertising, story placements in trade publications to elevate Philadelphia’s retail profile and a highly promoted, online presence (www.philadelphiaretail.com) that positions Center City as an attractive retail location.

RETAIL DEMAND FOR SHOPPERS’ GOODS, 2018

<table>
<thead>
<tr>
<th>JOB MARKET</th>
<th>CORE CENTER CITY</th>
<th>GREATER CENTER CITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Workers</td>
<td>146,400</td>
<td>158,300</td>
</tr>
<tr>
<td>Other Workers</td>
<td>114,000</td>
<td>147,200</td>
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<tr>
<td>Total Workers</td>
<td>260,400</td>
<td>305,500</td>
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</table>

<table>
<thead>
<tr>
<th>RESIDENTIAL POPULATION MARKET</th>
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</thead>
<tbody>
<tr>
<td>Owner Occupied Housing</td>
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<tr>
<td>Renter Occupied Housing</td>
</tr>
<tr>
<td>Population in other living arrangements</td>
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<table>
<thead>
<tr>
<th>VISITOR MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Rooms</td>
</tr>
<tr>
<td>Overnight Visitors</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>DOLLARS OF DEMAND FOR SHOPPERS’ GOODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Workers</td>
</tr>
<tr>
<td>Other Workers</td>
</tr>
<tr>
<td>Residents</td>
</tr>
<tr>
<td>Overnight Visitors</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

* Dollars of demand for each market segment are CCD calculations based on retail industry standards.

**Center City Retailer Type, 2018**

- **743** BOUTIQUE/INDEPENDENT/LOCAL RETAILERS
- **243** NATIONAL RETAILERS
- **743** LOCAL RETAILERS
AVERAGE DAILY PEDESTRIAN ACTIVITY BY SEASON, DECEMBER 2017 – NOVEMBER 2018

PEDESTRIAN VOLUMES ON PRIME RETAIL STREETS HAVE INCREASED 30% TO 40% SINCE THE CITY’S ECONOMY HAS COME OUT OF RECESSION

AVERAGE DAILY PEDESTRIAN ACTIVITY BY WEEKDAY/WEEKEND, 2018

Source: Motionloft Pedestrian Counts, Center City District
*Note: Winter includes December 2017, January 2018 and February 2018
OUTDOOR SEATING LOCATIONS

AVERAGE HOURLY PEDESTRIAN ACTIVITY BY TIME OF DAY, 2018

Source: MotionLoft Pedestrian Counts, Center City District

Source: Outdoor Seating Survey 2018, Center City District
WHILE NATIONAL BRANDS HAVE A VERY HIGH PROFILE, 75% OF CENTER CITY RETAILERS ARE BOUTIQUES, INDEPENDENT OR LOCAL ESTABLISHMENTS

CENTER CITY RETAILERS, 2018

- 209 APPAREL
- 167 JEWELRY/WATCHES
- 146 FOOD OR DRINK
- 111 HOME/GARDEN
- 72 BEAUTY/HEALTH/FITNESS
- 65 ART/COLLECTIBLES/HOBBIES
- 35 ELECTRONICS
- 29 AUTOMOTIVE
- 26 OPTICAL
- 18 MUSIC/VIDEO/VIDEO GAMES
- 17 BOOK STORE
- 13 GENERAL MERCHANDISE STORE
- 12 OFFICE SUPPLIES & STATIONERY
- 11 PET
- 55 OTHER

CENTER CITY FOOD ESTABLISHMENTS, 2018

- 468 FULL-SERVICE RESTAURANTS
- 332 TAKEOUT/SANDWICH/QUICKSERVICE RESTAURANTS
- 89 COFFEE SHOPS
- 45 BARS/NIGHTLIFE ESTABLISHMENTS
- 31 ICE CREAM/WATER ICE/FROZEN YOGURT
- 29 BAKERIES
- 11 ALL OTHERS

CENTER CITY SERVICE PROVIDERS, 2018

- 244 BEAUTY
- 171 HEALTH
- 106 BANK/FINANCIAL
- 103 REAL ESTATE
- 100 LEGAL
- 74 LAUNDRY
- 69 FITNESS
- 36 HOME
- 29 INSURANCE
- 21 CHILD CARE
- 21 PROFESSIONAL
- 19 ACCOUNTING
- 17 PET
- 16 SOCIAL SERVICES
- 15 TRAVEL
- 163 OTHER

Source: Retail Survey, Center City District
PRIME RETAIL RENTS, 2018

NATIONAL BRANDS CAPITALIZE ON THE GROWING VITALITY OF CENTER CITY, ATTRACT THEIR PEERS AND PROVIDE THE SECURITY TO HELP FINANCE MAJOR DEVELOPMENTS