

12.7.2020

Retail in Center City: The Sky is not Falling

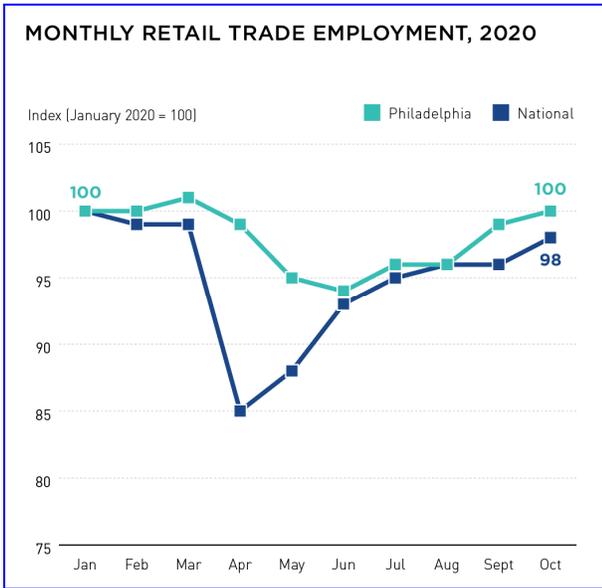
Decline in Boarded-Up Storefronts: Despite the high profile of boarded up storefronts on two prime blocks in Center City, the number of plywood-covered premises within the Center City District (CCD) boundaries has been steadily declining. Between June and September, the number of plywood covered storefronts dropped from 276 to 56. In the first week of November, it jumped to 116, but then declined to 38. In a December 4 survey, CCD found that the number of boarded up premises dropped even further to just 27, representing just 1.6% of all sidewalk level businesses in the CCD. Further, eight of these businesses (30%) are open and behind the plywood at several more, work is underway for new store openings.

Sustained Outdoor dining: In late November, CCD surveyed two concentrated areas of outdoor dining, Midtown Village and Rittenhouse Square, finding that 33 of 47 restaurants (70%) were providing outdoor seating, often weather-protected, deploying 524 tables with 735 seats.

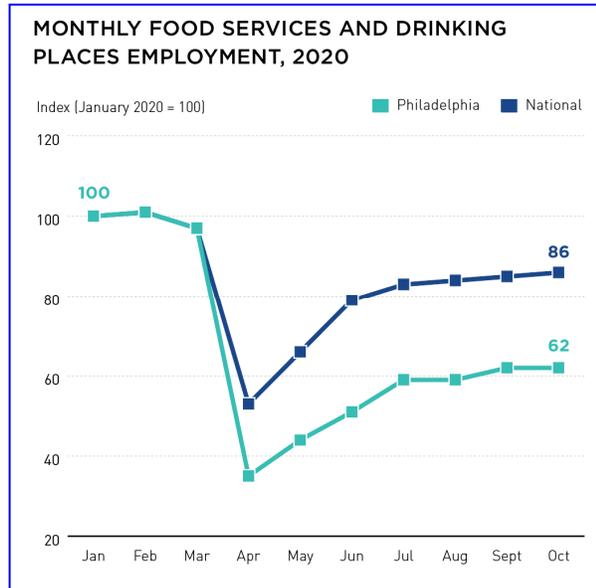
Recent New Openings: Since the start of 2020, five retailers have opened in Center City: Atmos, Allbirds, Interior Define, Kate Spade New York Outlet, and Kevin O'Brien Studio. Rolex will open a Center City location in March of next year. Two new hotels have opened as well; several major apartment buildings and condominium towers are underway.

Vacancy Rates: Compared to retail districts in other cities, Center City's vacancy rate is not high. The latest CCD survey of storefronts, conducted in September, found that 11.5% of premises were vacant within District boundaries with 11.8% vacant within the broader Center City area (Vine Street to Pine Street, river to river). For the first quarter of 2021, CoStar projects that the vacancy rate could rise higher within CCD boundaries, depending on the pace of recovery.

Employment Trends: After plummeting dramatically in April, both nationally and locally, Philadelphia employment in both retail and restaurants has been steadily rebounding with retail jobs almost regaining January levels, but with restaurant and food service employment in Philadelphia still 38% below January levels, due to the inability of restaurants to serve indoors.



Bureau of Labor Statistics, Current Employment Statistics



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The Bigger Picture: Employment data for the retail sector suggests that while jobs are level in Philadelphia and down slightly nationally, the more significant impact may be the shift in demand in *what is being purchased*. While hourly employees are most negatively impacted by stay-at-home mandates that have eliminated jobs, many other workers are connecting remotely and still being paid. Remote workers need fewer new dress clothes, shoes, makeup or accessories, as they are not going to the office, theaters, bars, restaurants and entertainment. Many fewer are traveling by car or airplane. It is not surprising that the largest declines in employment in retail jobs are in clothing, accessories, restaurants, bars, electronics, gasoline, and department stores. At the same time, many spend more time cooking, trying new recipes, buy more prepared food or working out more. Others are shopping online or have returned to long-delayed projects at home or in their gardens or roof decks. As a result, consumers are spending more time in grocery stores, liquor stores, and hardware stores and are purchasing more building materials, garden supplies and general merchandise - all categories that are growing.

Center City's challenge is that our retail is highly concentrated in those sectors that people are not patronizing with great frequency right now, or are prohibited for health reasons from visiting. This creates a significant problem, but one that will wane as the pandemic is controlled by the vaccine and more customary habits and practices return.

This is not to minimize the need for improvisation and experimentation by restaurants and retailers, the need for consumers to go out of their way to patronize their favorite places, or the need for temporary government support and/or relief. These will be a difficult next few months, painful for many businesses and their employees. However, the underlying employment and demographic statistics outlined in the attached report, suggest that when vaccines are widely distributed, workers return to their desks and hotel occupancy begins to rise, consumer demand will return strongly to Center City.