JUNE 2022

Center City Retail Update

At the start of summer, Center City's commercial core is experiencing sustained recovery as new businesses open and existing retailers move to new, often larger locations. In the first quarter of 2022, taxable retail sales reached 94% of 2019 levels and restaurant sales reached 74% of 2019 levels. Supported by:

- 202,000 downtown residents, 70,000 of whom live in the commercial core;
- more than 100,000 college students in and around the downtown;
- returning regional shoppers, tourists and convention attendees;
- the slow, but steady, return of just over half of Center City 146,000 office workers;

retail occupancy and pedestrian vitality has continued to rebound from the profound disruptions in 2020.

KEY TAKEAWAYS

1. Thanks to the dense mix of uses in Philadelphia's highly diversified downtown, daily pedestrian foot traffic is at 84% of pre-pandemic levels; shopper and visitor foot traffic is at 96% while residential foot traffic exceeds 2019 levels.
2. 80.5% of the retail storefronts within the CCD are open for business, up from 54.5% in the spring of 2020 with 42 more retailers with announced openings for 2022.
3. With indoor seating fully restored, demand for outdoor seating remains one of the pandemic's enduring positive legacies. There are 68% more outdoor seats in Center City than before the pandemic.
4. An emerging leasing trend appears to be entertainment concepts filling large footprint retail vacancies.
5. Several established Center City retailers have taken advantage of a softer leasing market and moved to larger or more prominent spaces.
6. Taxable retail sales for the first quarter of 2022 in core Center City are at 94% of 2019 levels; bars and restaurants are at 74% of 2019 levels.

FIGURE 1: **MAP OF CENTER CITY**

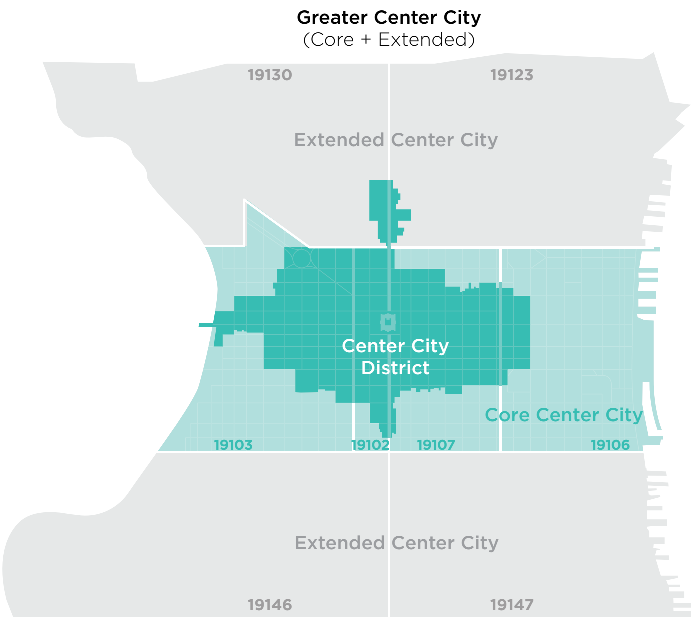
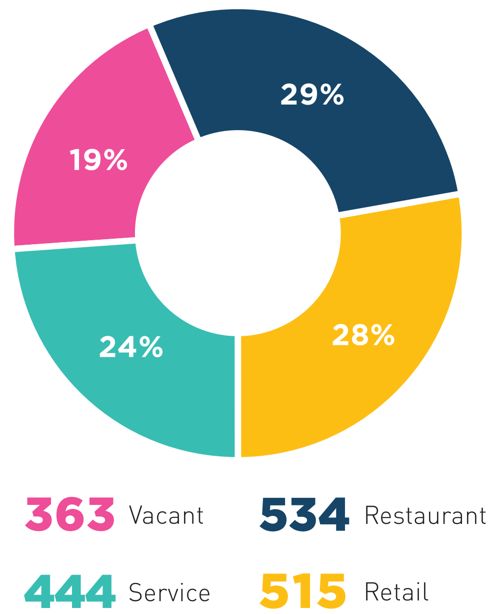


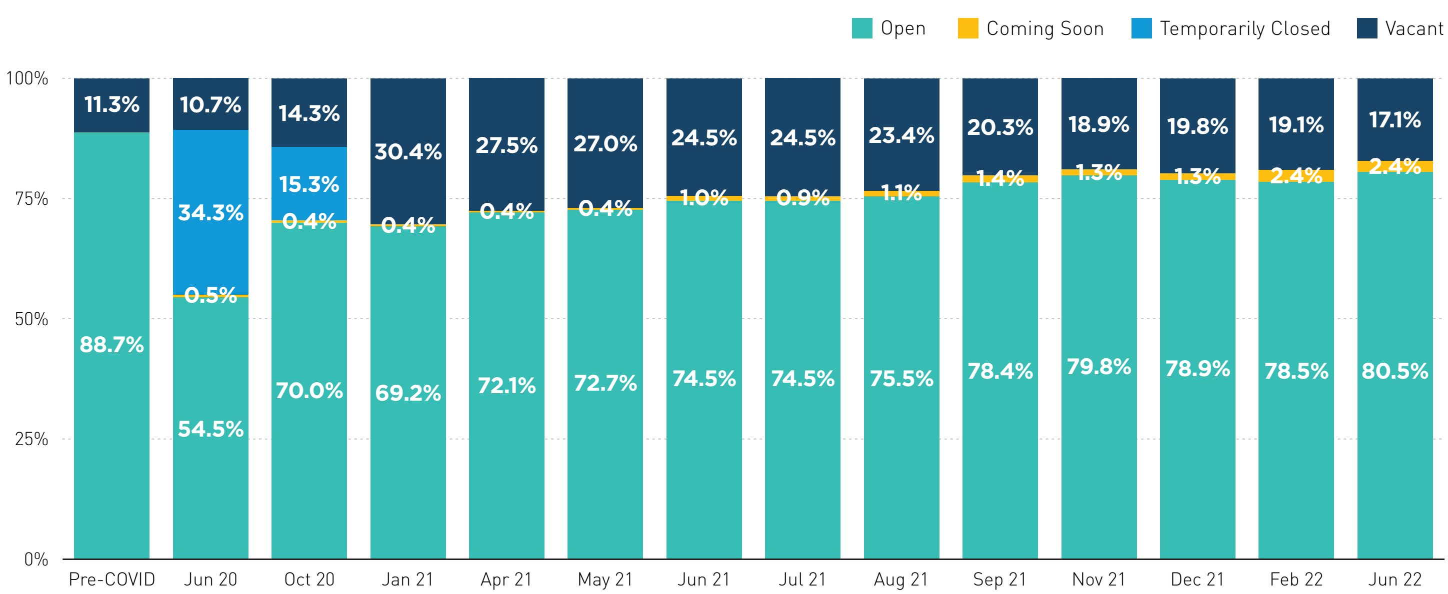
FIGURE 2: **CENTER CITY DISTRICT BUSINESSES**



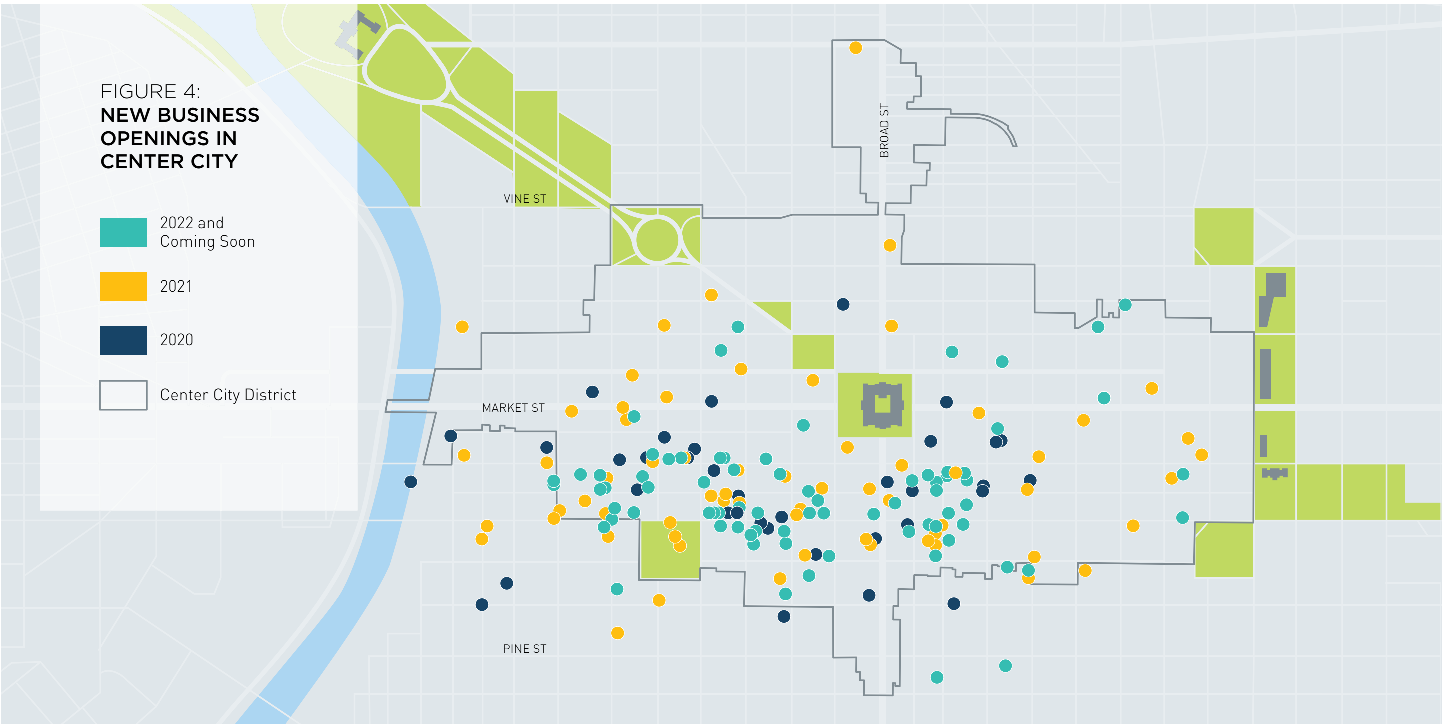
During the last two decades, Philadelphia developed one of the most diversified downtowns in North America with 239 office buildings, 7 major education and health care institutions, 498 cultural institutions, 236 apartment buildings, 128 condominium buildings and 45 hotels, all of which generate demand for ground floor restaurants, retail and service establishments in the day and evening hours.

To monitor recovery, Center City District (CCD) staff has conducted periodic on-street surveys during the last two years of ground floor businesses within its boundaries and an annual review of the broader core of Center City: Vine Street to South Street, river to river. The latest survey was conducted at the beginning of June 2022, focused on 1,856 storefronts within CCD boundaries (see Figure 1). Of these, 24% were service establishments; 28% were retailers, 29% were restaurants, and 19.5% were vacant or not open for business. (Figure 2). Of these 363 premises, 42 have tenants who will be opening soon.

FIGURE 3: **STOREFRONT BUSINESS OPERATING STATUS WITHIN CCD**



*Many businesses temporarily closed in June 2020 were expected to reopen within several months. As the pandemic persisted, businesses closed permanently or their national company filed for bankruptcy. From the public perspective, the difference between "temporarily closed" and "permanently closed" was hard to distinguish from the sidewalk. For the purpose of tracking trends, effective January 2021, this chart categorizes both as vacant.



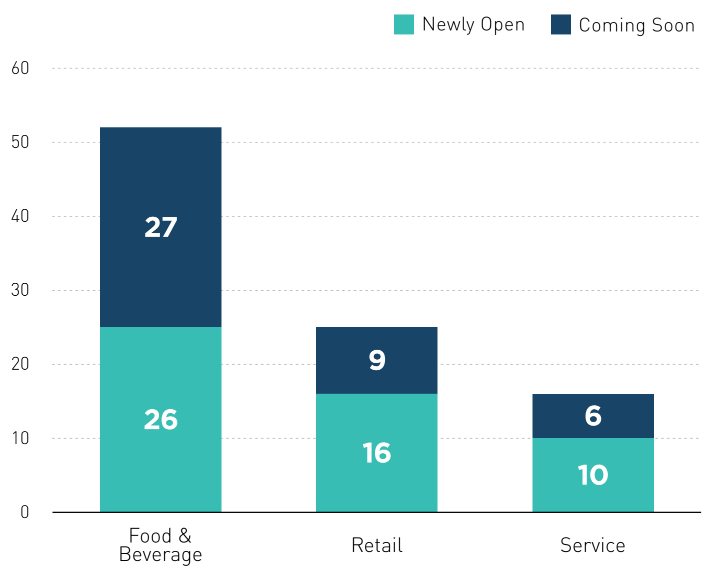
> Since 2020, **174** storefront establishments have opened with **42** more publicly announced to open within the year.

Prior to the pandemic, 11% of storefronts within the District were vacant (Figure 3). Due to the mandated shutdown of the economy, stay-at-home directives and civil unrest in June 2020, the observed rate briefly spiked to 45% in June 2020. Many businesses reopened by January 2021, lowering the vacancy rate to 30%, but this was offset by the impact of national bankruptcies and local closures. By June 2022, the steady process of recovery and new openings lowered the District's vacancy rate to 17%.

Since 2020, 174 storefront establishments have opened with 42 more publicly announced to open within the year. At least 15 additional leases have been signed, with tenants yet to be announced, and brokers continue to report strong interest in Center City locations. Because the retail leasing process — from the initial tour to the grand opening — can take six months to a year, the current count of vacancies can be considered a lagging indicator.

Figure 4 shows the location of new openings by year and those publicly announced through the end of 2022. Figure 5 shows the distribution of the 94 recent and upcoming openings in 2022 by type: 53 (56%) are food and beverage establishments, 25 (27%) are retailers, and 16 (17%) are service providers.

FIGURE 5: **2022 CCD STOREFRONT OPENINGS**



NEWLY OPENED

FOOD & BEVERAGE

&pizza 1800 Chestnut St	**Mochi Ring Donut** 102 S 21st St
Barstool Sports Bar 1213 Sansom St	**Patchwork** 1620 Chancellor St
Bluestone Lane* 2000 Walnut St	**Paulie Gee's Soul City Slice** 412 S 13th St
Brooklyn Pizza 1625 Chestnut St	**Huff and Puff BBQ** 246 S 11th St
Café Click 1701 John F Kennedy Blvd	**Prunella** 112 S 13th St
Federal Donuts* 1909 Sansom St	**Salty Paws Dog Ice Cream** 211 S 17th St
Flambo 205 S 13th St	**Sooo Delicious Soul Food** 1112 Locust St
Fuwa Teriyaki Grill 1625 Chestnut St	**Sugar Factory** 1214 Chestnut St
Goldie* 1911 Sansom St	**The Cauldron Magical Pub** 1305 Locust St
Gong Cha 917 Arch St	**The Franklin*** 1715 Rittenhouse Sq
Good Luck Pizza Co. 105 S 13th St	**Umami Izakaya** 725 Walnut St
Grandma's Philly 1304 Walnut St	**Van Leeuwen Ice Cream** 115 S 18th St
Mabu Kitchen 1120 Pine St	**Wilder** 2009 Sansom St

RETAILERS

2nd Street 1606 Chestnut St	**Grace Loves Lace** 1719 Chestnut St
Angela Monaco 2001 Walnut St	**J Crew** 1719 Walnut St
Brooklinen 1703 Walnut St	**Mookie Smokeshop** 44 S 19th St
DEO Eyewear 901 Market St	**Rebel** 116 S 19th St
Dope Botanicals 257 S 20th St	**State & Liberty*** 1517 Walnut St
Go Popcorn* 1328 Walnut St	**The Children's Boutique*** 128 S 17th St
Gorjana 1630 Walnut St	**Trulieve** 1222 Arch St

SERVICE PROVIDERS

Aim Point 901 Market St	**OceanFirst Bank** 1500 Market St
Aurora Home Care 123 N 9th St	**Physique 57** 1625 Walnut St
Citizens Bank 1401 Walnut St	**Princeton Strategies** 2008 Chestnut St
Endgame Boxing & Fitness 2026 Chestnut St	**Roadie** 102 N 17th St
Enigma Medispa Rittenhouse 1520 Locust St	**Salon G Rittenhouse** 131 S 20th St

*Expansion or relocation

COMING SOON

FOOD & BEVERAGE

1831 Café 1831 Chestnut St	**Insomia Cookies** 1 S Broad St
Andra Hem 218 S 16th St	**Kismet Bagels** 51 N 12th St
Artic Scoop 1625 Chestnut St	**Kura Sushi** 1721 Chestnut St
Bankroll Club 1910 Chestnut St	**Mona** 1308 Chestnut St
Barcade 1326 Chestnut St	**Mulherin's** 1175 Ludlow St
Boba King 1232 Chestnut St	**Philly Bagels** 1501 Locust St
Broth Thyme 102 S 13th St	**Puttshack** 1625 Chestnut St
Buena Onda 114 S 20th St	**Saami Somi** 51 N 12th St
Butcher's Pantry 51 N 12th St	**Samuel's Deli** 1523 Sansom St
California Tortilla 901 Market St	**Schulson Collective Restaurant Concept** 1911 Walnut St
Crab Nola 1310 Walnut St	**Schulson Collective Speakeasy Concept** 123 S Broad St
Destination Dogs 1900 Market St	**Starbucks** 1708 Chestnut St
Fudena 104 S 21st St	**Sweet Treat Hut** 901 Market St
Hoots Wings 901 Market St	

RETAILERS

Aritzia 1725 Walnut St	**Junior's** 260 S 16th St
Duross & Langel* 240 S 11th St	**Kilwin's Chocolates** 145 S 13th St
Faherty 1600 Walnut St	**Outdoor Voices** 1723 Walnut St
Glossier 1716 Walnut St	**Vans** 1702 Walnut St
Joybird 1507 Walnut St	

SERVICE PROVIDERS

4ever Young 1216 Walnut St	**iFix Gadgets** 1625 Chestnut St
Equinox 1911 Walnut St	**Veterinary Emergency Group** 1213 Walnut St
Fridge No More 720 Chestnut St	**Welnox** 1512 Sansom St

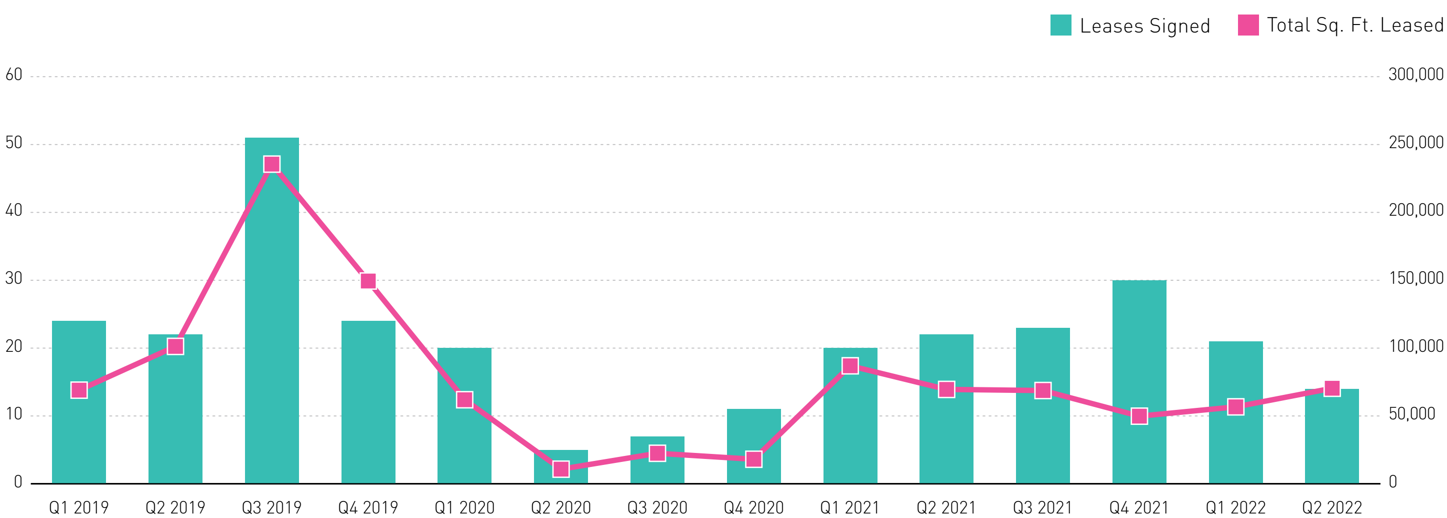
Established Center City businesses including J. Crew, Federal Donuts, Goldie, The Franklin, Go Popcorn, and The Children's Boutique have reopened in new locations downtown. Quick-service food businesses such as Van Leeuwen Ice Cream, &pizza, and Bluestone Lane have opened second locations.

On West Walnut Street, H&M, Talbots, Ann Taylor, Stuart Weitzman, and Aldo have vacated space due to bankruptcy or national restructuring, but their storefronts have been quickly absorbed by expanding brands, including Allbirds, Brooklinen, Taft and the upcoming Aritzia, Outdoor Voices, and Joybird. State & Liberty, Madewell, and Free People have plans to expand along the corridor this year. Moreover, retail brokers have reported at least six additional storefronts along Walnut Street are in active lease negotiations.

Likely due to a trend toward smaller footprint retail leases, several larger footprint storefronts have transitioned to entertainment concepts, including:

1. Bankroll, an 18,500-square-foot sports bar and entertainment venue with a Stephen Starr restaurant, broke ground in late April at the former Boyd Theater site at 1910 Chestnut Street.
2. Insomnia Cookies, a locally-started cookie retailer, has leased 26,000 square feet at 1 South Broad Street as its new headquarters with a "retail store of the future" on the ground floor.
3. Puttshack, a London-based mini-golf venue with a bar and restaurant, has leased 26,000 square feet of the ground floor of the Shops at Liberty Place, 1625 Chestnut Street.
4. Barcade, a Brooklyn-based bar-and-arcade hybrid, has announced plans to open its second Philadelphia location in 8,000 square feet of the historic Hale Building at 1326 Chestnut Street by early 2023.

FIGURE 6: **LEASING TRANSACTIONS AND SQ. FT. LEASED BY QUARTER**



*The Fashion District contributed the majority of leases in 2019 Q3

Matt Stanley

Outdoor Seating

Streeteries may be one of the pandemic's enduring, positive legacies. Center City has more than 25 years of experience with sidewalk dining. With indoor occupancy restrictions no longer in place, streeteries continue to supplement both indoor dining and sidewalk seating. While in June 2022, there were fewer outdoor seats in Center City than at the height of the pandemic, there are now more outdoor seating opportunities than pre-pandemic, even with the full reopening of indoor dining. In 2019, there were 3,501 outdoor seats within the CCD; today there are 5,053. However, there is still work to be done by the City of Philadelphia to streamline the process for permitting, while setting appropriate design, management and safety standards for this new use of the right of way.

OUTDOOR SEATING TYPE	JUN-21	OCT-21	JAN-21	APR-21	MAY-21	JUL-21	SEP-22	DEC-22	FEB-22	JUN-22
Sidewalk Cafe	N/A	2,628	1,549	2,284	2,823	3,370	3,564	2,017	1,269	3,092
Sidewalk Cafe & Streetery	N/A	2,414	1,961	2,531	2,869	2,547	2,498	1,974	1,646	1,574
Streetery Only	N/A	110	206	498	570	634	632	573	353	387
Total	**2,997**	**5,152**	**3,716**	**5,313**	**6,262**	**6,551**	**6,694**	**4,564**	**3,268**	**5,053**

*CCD did not record seating type before October 2020
Source: Center City District survey

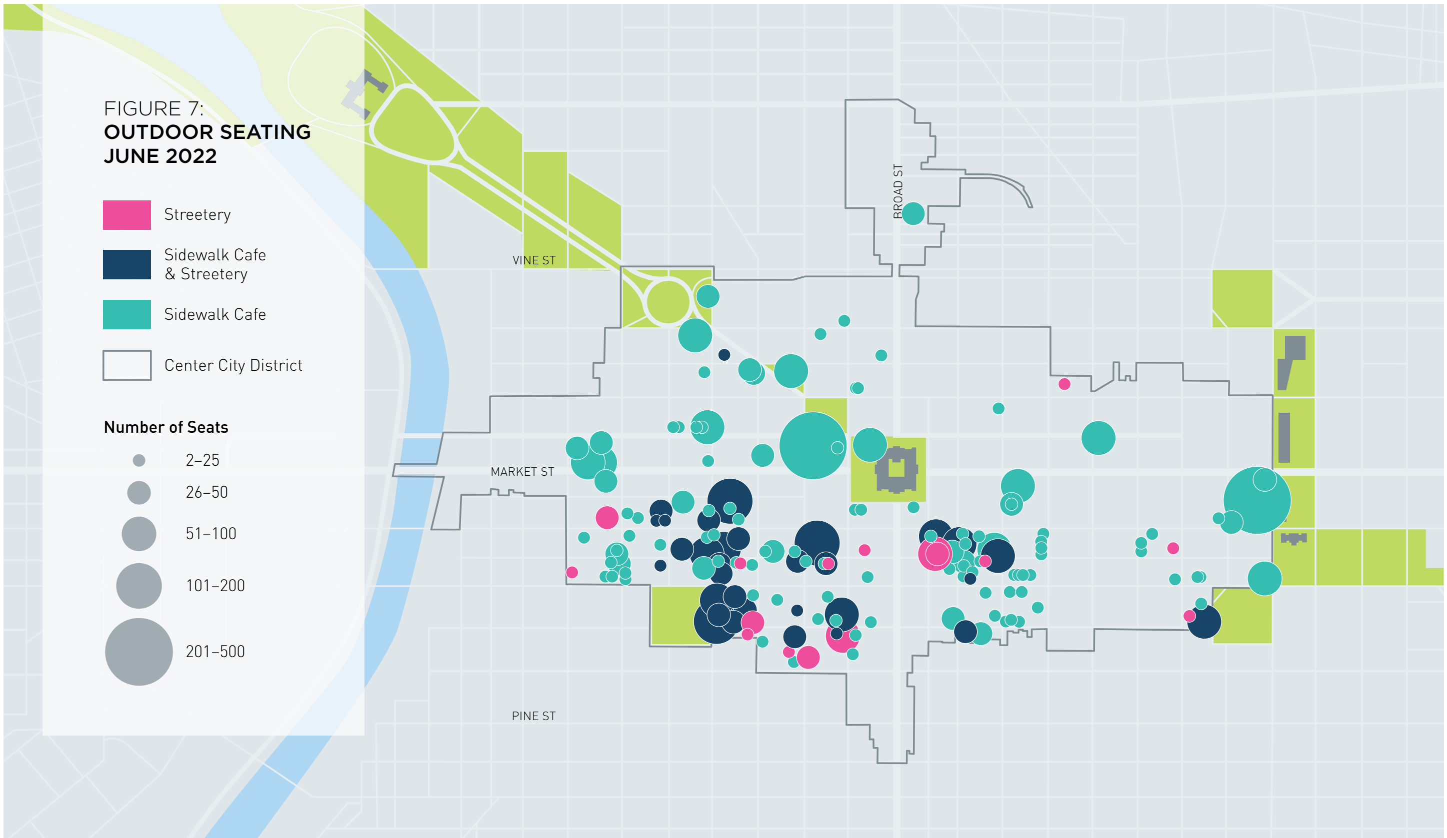
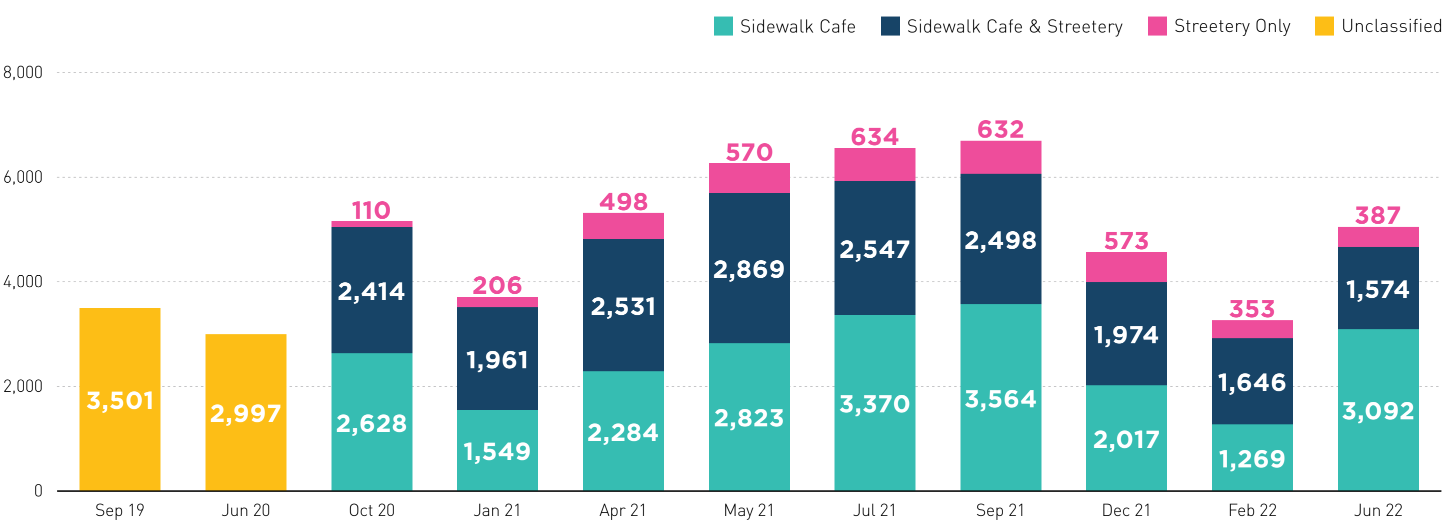


FIGURE 8: **OUTDOOR SEATING BY TYPE**



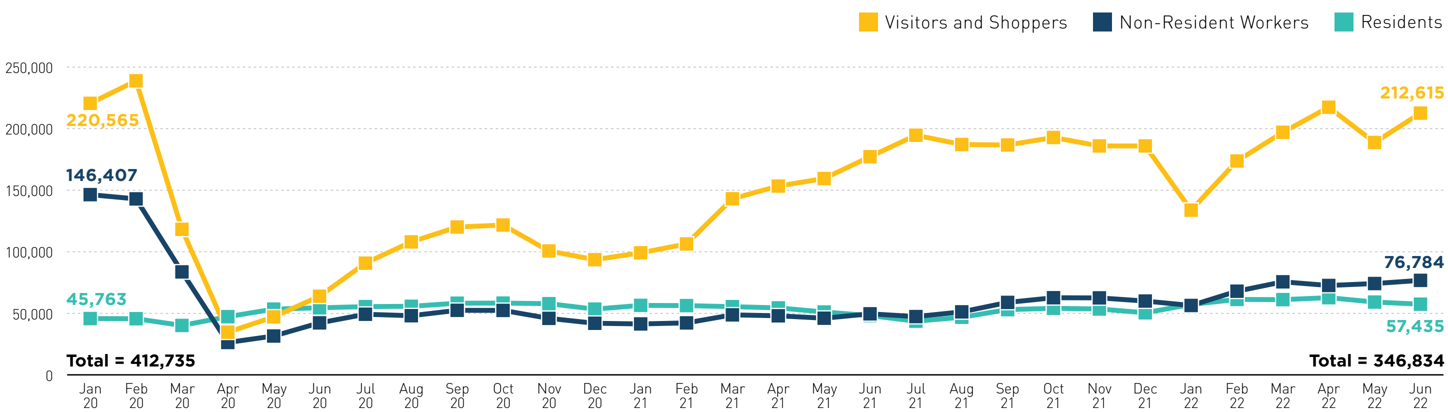
Pedestrian Volumes

The diverse mix of downtown land-use has perpetuated the steady presence of pedestrians on sidewalks, day and night: residents, workers, students, visitors, shoppers, and hotel guests. The combined, average daily volume of pedestrians in Center City reached 346,833, 84% of pre-pandemic levels by mid-June, according to Placer.ai data. While shoppers, tourists and visitors were at 96% of January 2020 levels and downtown residents have remained in place, non-resident workers have been slower to return, at 52% of pre-pandemic levels through mid-June.

As non-resident workers are gradually returning, the recent return of major employers like Comcast has produced a steady increase in foot traffic on West Market Street and JFK Boulevard, with volumes rising 96% between January 2022 and the second week of June.

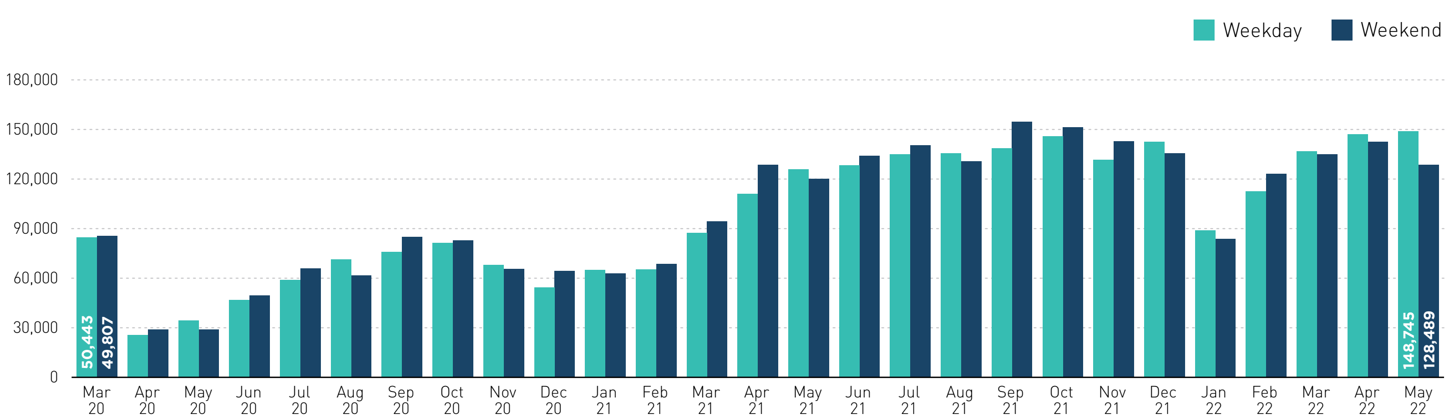
The diverse mix of downtown land-use has perpetuated the steady presence of pedestrians on sidewalks, day and night: residents, workers, students, visitors, shoppers, and hotel guests.

FIGURE 9: **CENTER CITY AVERAGE DAILY POPULATION: RESIDENTS, NON-RESIDENT WORKERS, AND VISITORS**



Source: Placer.ai

FIGURE 10: **AVERAGE DAILY PEDESTRIANS AT 20 LOCATIONS MONITORED BY CCD**



Source: Center City District

Sales Performance

The continuing impact of remote work and the gradual return of tourism and conventions is apparent in sales tax data provided by the Commonwealth of Pennsylvania. Using the same quarterly data from 2019 as the pre-pandemic baseline, taxable retail sales in core Center City (see Figure 1 for boundaries) during the first quarter of 2022 achieved 94% of 2019 levels, while bars and restaurants that depend more on office workers and visitors, achieved sales at 74% of 2019 levels. The impact of the Omicron variant in January is probably what accounts for the dip in sales in the first quarter of 2022 (Figure 11).

By comparison, sales in the extended neighborhoods with 132,000 residents, from Vine Street to Girard Avenue and from Pine to Tasker, have achieved or exceeded pre-pandemic levels since the third quarter of 2020. Restaurant and bars reached 95% of pre-pandemic levels in the second half of 2021, before dipping to 88% in the first quarter of 2022 (Figure 12).

Many businesses that had relied on strong three-day per week demand, now benefit from seven-day per week demand from those working from home. Whether this foretells a long-term shift in the geographic location of retail demand, or a temporary phenomenon, is a subset of the larger discussion of the future of in-office or hybrid work.

> Taxable retail sales in core Center City during Q1 2022 achieved **94%** of 2019 levels

FIGURE 11: **LOCAL SALES TAX COLLECTIONS FROM RETAILERS AND RESTAURANTS IN CORE CENTER CITY AS A PERCENTAGE OF 2019**

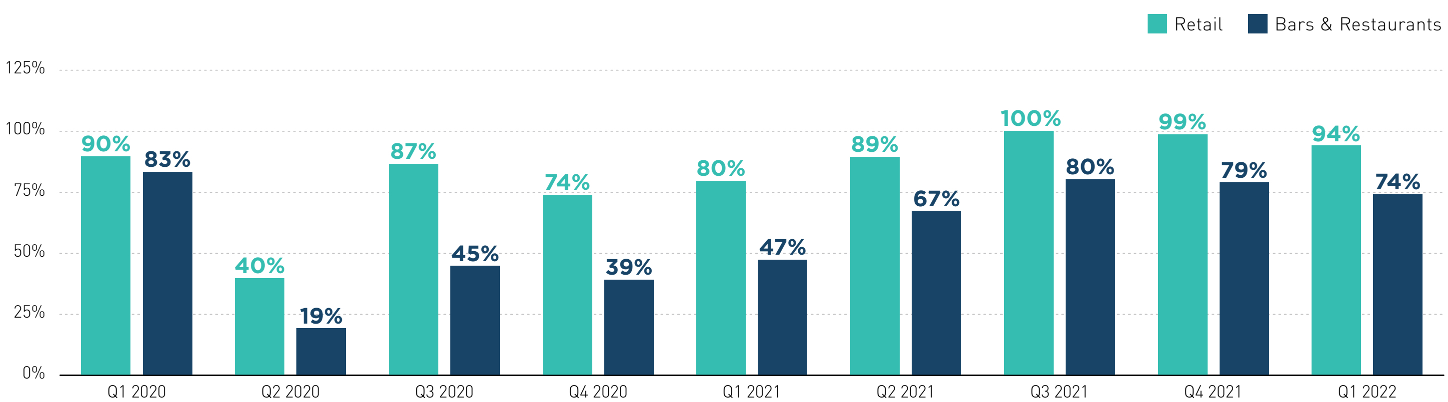


FIGURE 12: **LOCAL SALES TAX COLLECTIONS FROM RETAILERS AND RESTAURANTS IN EXTENDED CENTER CITY AS A PERCENTAGE OF 2019**