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www.CenterCityPhila.org

Center City Reports:
Retail

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Central Philadelphia
Development Corporation
and the Center City District
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Center City Retail Summary

With the national recession coming to an end, but employment growth still quite slow, Center City Philadelphia's retail market has shown remarkable resiliency. Difficulties in securing financing have delayed many projects, but the vacancy rate still grew by less than 1% in the last year because both local entrepreneurs and several national chains were able to open downtown and offset most of the natural rate of attrition. Food-related business openings continued to lead the market, reaching an all-time high of 688.

The continued vibrancy of the Center City retail market is due to several factors. First, buffered by strong and continued growth in the city's dominant employment sector — health care and education — Philadelphia has weathered the employment downturn better than the suburbs and many major cities across the country. The most recent numbers from the Bureau of Labor Statistics show that between October of 2009 and September of 2010, the nation gained 0.23% in employment, while the city lost just 0.17% of its jobs. By contrast, the Philadelphia suburbs shed 1.97% of their jobs in the last year.

Second, the diversification of the downtown has provided multiple sources of retail demand both during the day and evening hours, with 250,000 workers in both the traditional 9-to-5 office sector and the more round-the-clock medical institutions. To this, downtown adds the consumer spending of convention goers, tourists — including 514,000 from overseas — visitors to arts and cultural institutions

Within one mile of City Hall, the total demand for shoppers' goods is

$491.5 million.

Residents and Workers Within One-Mile Radius

	Center City	King of Prussia Mall	Cherry Hill Mall
Residents	82,699	4,115	13,801
Workers	231,686	30,714	16,712

Source: CCD, PolicyMap, and LED, 2010

and regional patrons of more than 278 fine-dining restaurants. Center City's emergence as the third-largest residential downtown in the United States, with an extraordinary concentration of well-educated and professionally employed residents, has created an entirely new source of demand for household goods, personal and professional services, as well as food and dining. Finally, Center City's core strength as a dense, compact and walkable downtown provides an extraordinary concentration of retail demand unmatched by any other part of the region.

Center City Demographics

Among the 159,300 residents living between Girard and Tasker Avenues is a steadily increasing population of highly educated individuals with household incomes that generate significant consumer spending. In the core of the downtown, more than 40% of residents walk to work, while in the next ring out, residents commute primarily by public transit. Few Center City households thus have more than one car, and many have no car, eliminating a large annual expense that can be devoted to other spending, making the residents of Center City an even more attractive market than a casual glimpse of demographic indicators may suggest.

- Center City Population: 159,300
- Center City Households: 82,700
- Center City Average Age: 39.9 years
- CBD Educational Attainment: 66% with bachelor degree or higher
- CBD Average Household Income: $74,317
- Center City Aggregate Income: $4.9 billion

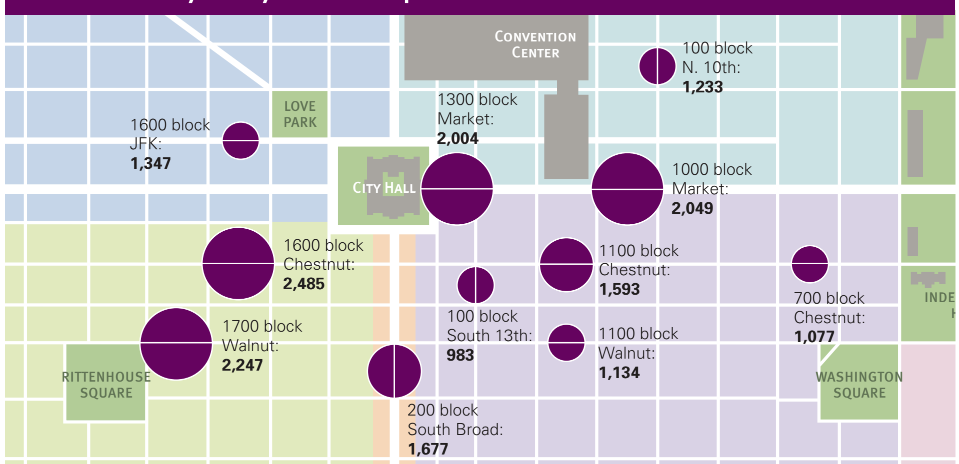
To this population can be added the purchasing power of nearly 90,000 students who attend college in or adjacent to Center City.

Retail Demand for Shoppers' Goods 2010

	Radius from City Hall		
	5-Minute Walk (1/4 Mile)	15-Minute Walk (1/2 Mile)	30-Minute Walk (1 Mile)
Worker Market			
Office Sq Ft	11,506,247	25,643,563	36,270,370
Office Workers	51,202	114,113	161,402
Non-Office Workers	15,776	35,160	49,730
Total Workers	66,978	149,273	221,132
Residential Market			
Owners	6,610	18,107	49,369
Renters	4,872	14,080	33,300
Population	11,482	32,187	82,669
Visitor Market			
Hotel Rooms	3,223	7,316	8,111
Visitors	415,542	943,254	1,005,725
Dollars of Demand for Shoppers' Goods			
Office Workers	$54,479,000	$121,416,000	$171,732,000
Non-Office Workers	$8,345,000	$18,599,000	$26,307,000
Residents	$22,045,000	$61,799,000	$158,724,000
Overnight Visitors	$65,683,000	$126,396,000	$134,767,000
Total	**$150,552,000**	**$328,210,000**	**$491,530,000**

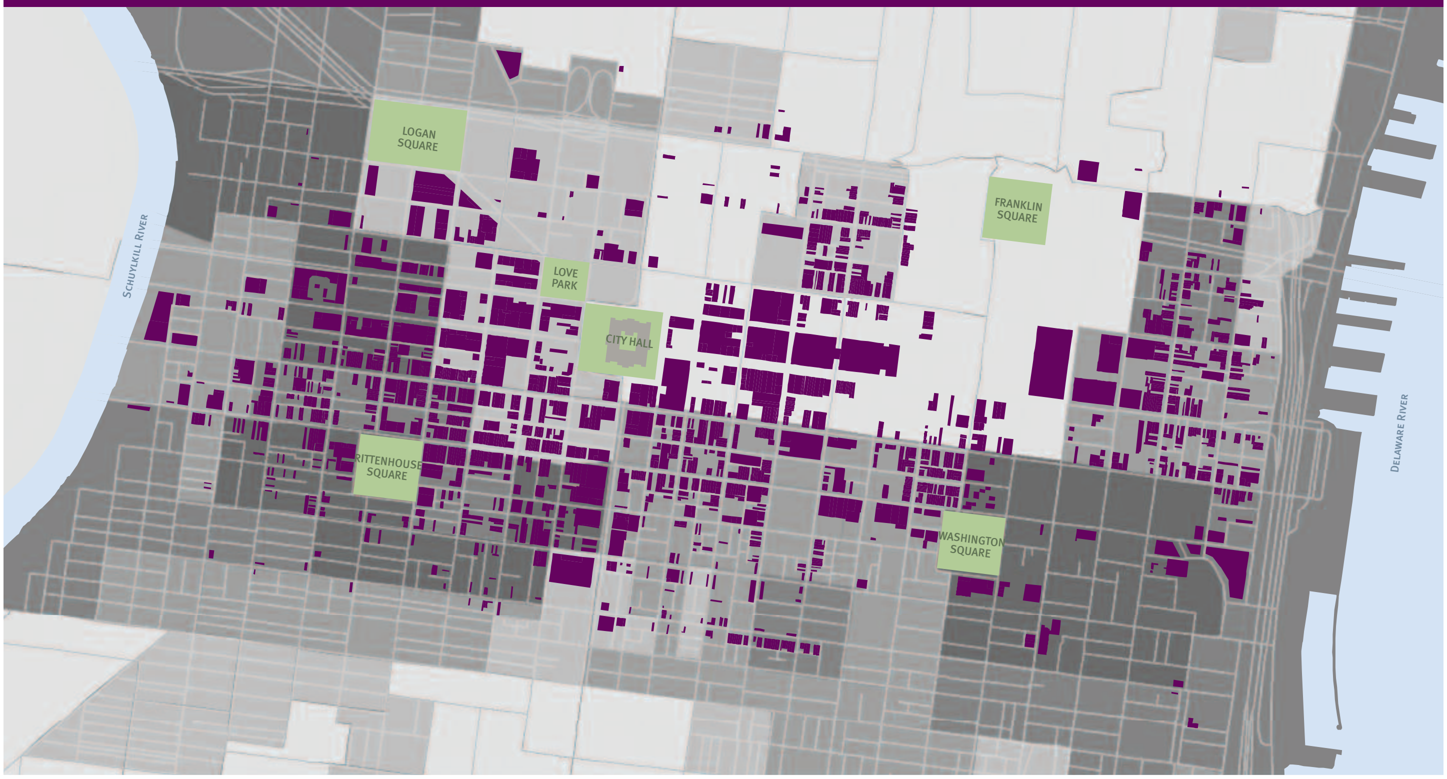
The number of office workers is derived from the amount of occupied square feet of office space within the defined geographies and standard industry estimates of workers per square foot. All other worker numbers are based on 2006 Census data. Residential population is based on Census and CCD counts of new residential units. Visitor population is extrapolated from occupied hotel room data from PKF Consulting, as well as 2007 visitor data from Tourism Economics/Longwoods International, and GPTMC. Dollars of demand for each market segment are CCD calculations based on retail industry standards.

Center City Daytime Population: 2010 Pedestrian Counts



Pedestrians were counted at each mid-block location at 15-minute intervals for three consecutive hours (11:30am–2:30pm) for five weekdays in June 2010. Reported totals are one-hour averages.

Retail Expenditures: Annual Purchasing Power of Census Block Groups



Dollars Per Block Group

$33.6M–$75.0M | $16.8M–$33.6M | $8.7M–$16.8M | $4.1M–$8.7M | 0–$4.1M

Retail Spaces

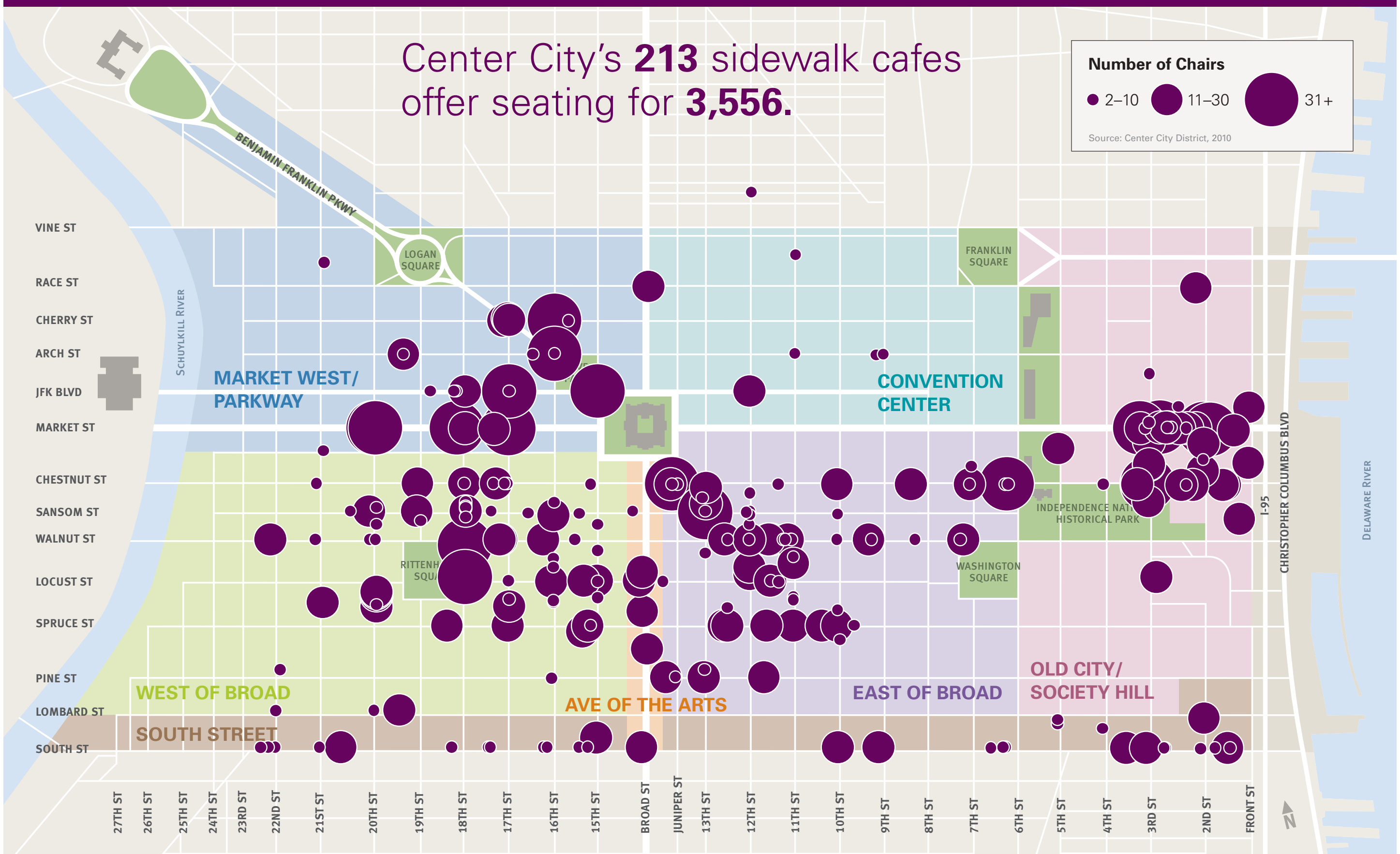
Purchasing power data source: 2009 ESRI Business Analyst
Retail space data source: CCD

The recently opened 14,000 SF Apple store can expect over **2,000 pedestrians** to pass its front door per hour during the business day.

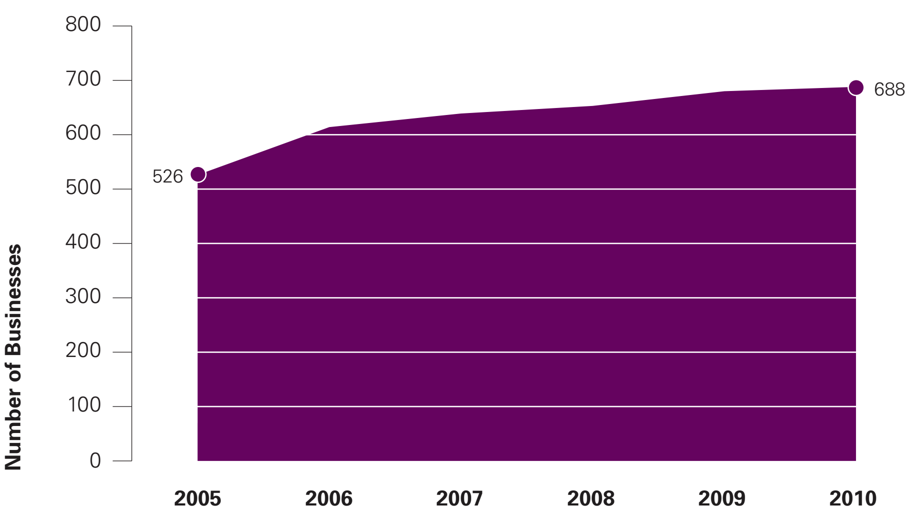
The Retail Impact of a Walkable Downtown

Philadelphia has a higher percentage of downtown residents who walk to work (40%) than any other American city. Another 308,000 individuals take transit every day into Center City; 31,000 students attend colleges and universities downtown; the Pennsylvania Convention Center hosted 632,000 visitors in 2009, while over two million annual visitors were attracted to the historic district, and three million visitors were drawn to the Benjamin Franklin Parkway. To measure the cumulative impact of these multiple sources for retail demand, the CCD conducts an annual pedestrian count at select locations throughout the downtown. The May 2010 survey counted more than 2,000 pedestrians per hour on the 1300 block of Market Street, the 1600 block of Chestnut Street and the 1700 block of Walnut Street. In other emerging retail areas, counts ranged from 1,000 to 1,700 pedestrians per hour, with a growing volume of evening shoppers and restaurant patrons drawn by downtown's many cultural destinations.

Sidewalk Cafes by Location and Number of Chairs



Center City Restaurants, Coffee Shops, and Bakeries



Source: Center City District, 2010

The number of Center City fine-dining restaurants has increased

328%

since 1992.

Center City Restaurants and Food-Related Businesses by Category

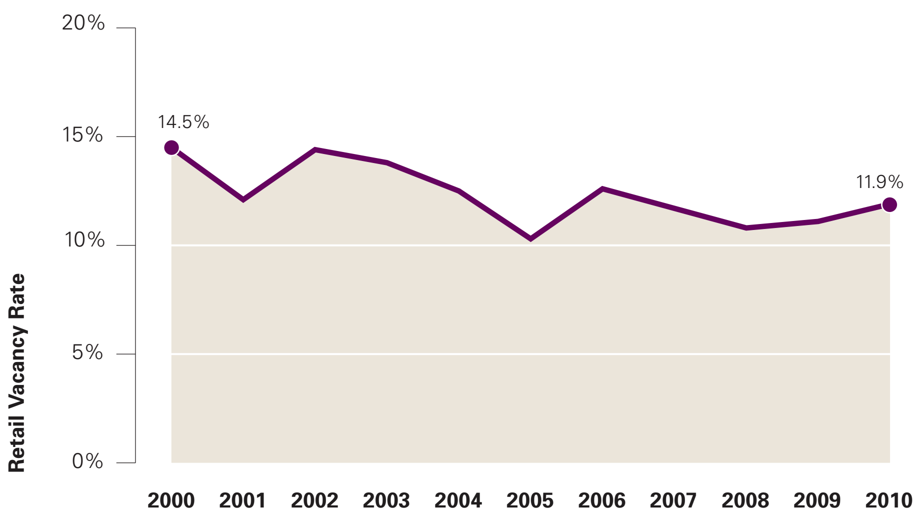
Source: Center City District, 2010

Trends in Specific Retail Sectors

As of August 2010, Center City, between Vine and Pine Streets, had 688 food-related businesses, such as fine dining, casual restaurants, take-out establishments, bakeries and cafés, a 31% increase over 2005. Forty-eight new businesses of this type opened in the 12-month period ending August 2010 in Center City between Vine and Pine Streets. Among the new restaurants and food-related businesses that opened over this time period were Michael Schulson's Sampan, Stephen Starr's El Rey, Barbuzzo, Philadelphia Cupcake, Varga Bar, Zama, Zavino, and 500 Degrees.

The number of apparel, shoe, and accessory stores in August 2010 was 202, representing a small net loss of

Center City Retail Vacancy Rate*



*Based on number of premises.

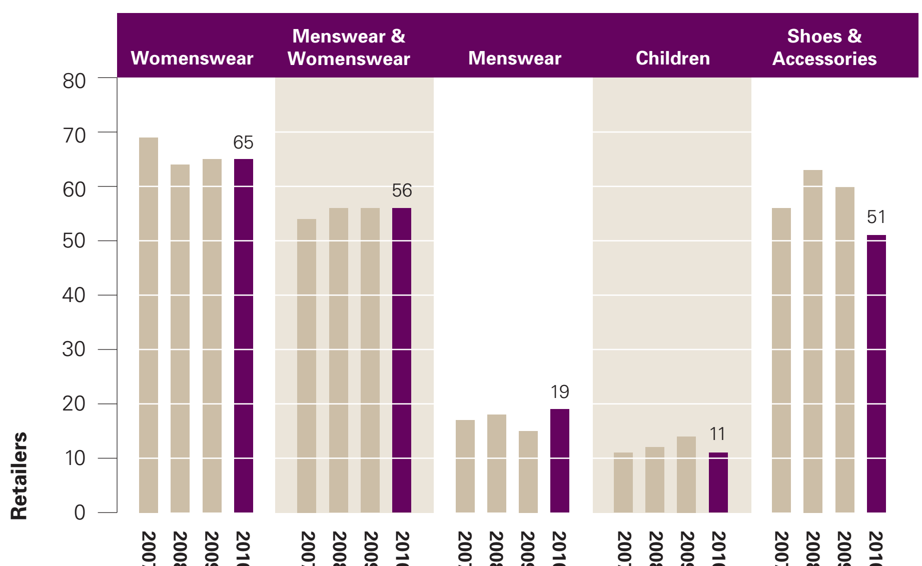
Source: Center City District

Retail

eight stores from 2008. Shoe and accessory stores as well as children's clothing stores were hit hardest while menswear was the only apparel category to experience a gain, with four new businesses opening. Included in the apparel openings were the national chains Esprit and The North Face, the Philadelphia-based brand Charlie's Jeans, and New York-based Brooklyn Industries, one of their only four stores outside of New York City.

The basic indicator of downtown's market strength in this challenging economy is that Center City's retail vacancy rate rose by less than 1%, from 11.1% in August 2009 to 11.9% in August 2010, and was still well below a recent high of 14.5% in 2000. Beyond the restaurant and apparel openings highlighted above, in the past year Center City has seen the opening of a Blick Art Supplies, the Hotel Palomar, and the most heralded opening of the past several years, an Apple Store. All of this points to the fact that Philadelphia's retail market continues to present shoppers — residents, workers and tourists — with a vibrant mix of options to fulfill almost every need.

Select Apparel Categories



Source: Center City District, 2010