

# Tourism rebound drives retail demand

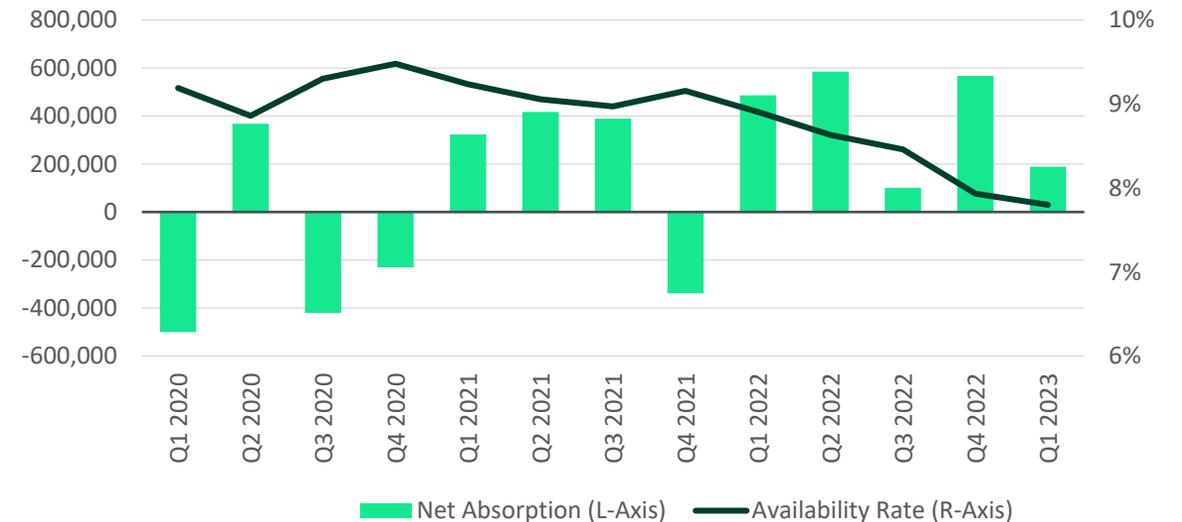


Note: Arrows indicate change from previous quarter.

- Despite federal interest rate hikes, inflation, banking turmoil and layoffs, consumer spending remained relatively strong while the region continued to see positive net absorption.
- In February 2023 pedestrian activity in core Center City reached an average daily volume of 347,800, 78% of February 2019 levels, with more than half of these pedestrians being visitors.
- Tourism visits to Philadelphia and surrounding counties outpaced their pre-pandemic levels, driving more store openings from both in-market retailers and new-to-market concepts.
- The labor market in the leisure & hospitality and retail trade sectors showed continued signs of improvement throughout the start of 2023.

After a strong performance throughout 2022, Greater Philadelphia’s retail sector showed continued signs of strength with the overall availability rate in the Philadelphia region falling 110 basis points (bps), year-over-year, to 7.9%. While federal interest rate hikes, inflation, banking turmoil and layoffs dominated the news cycle during the first quarter of 2023, consumer spending remained relatively strong. With the ushering in of spring-time, residents and visitors were eager to get out of the house and attend iconic events such as the Pennsylvania Horticultural Society Flower Show. As the tourism industry rebounded, the market responded to this demand-driver.

FIGURE 1: Supply vs. Demand



Source: CBRE Research, Q1 2023

## Tourism

Steeped in rich historic and cultural offerings, Greater Philadelphia's tourism industry was a driver of retail demand throughout the region. Like other destinations, Philadelphia's tourism industry was hit hard during the peak of the pandemic but showed sustained signs of recovery since restrictions eased. Specifically, a recent report from the Center City District showed pedestrian activity in core Center City (Vine to South Street, river to river) reached an average daily volume of 347,800 in February 2023 with more than half of these pedestrians being visitors to the city (as opposed to residents or non-resident workers). Patrons of cultural institutions and attendees at events in the Pennsylvania Convention Center enabled pedestrian volumes to reach 78% of February 2019 levels. According to Placer.ai's recovery tracker, in February 2023 tourism visits to Philadelphia were 6% higher than February 2020 volumes, a 106% recovery. These levels are only expected to continue to rise as the Pennsylvania Convention Center is projecting more than 1 million visitors in 2023, almost double 2022 volumes.

Surrounding areas also saw leasing activity as tourism recovery was not just relegated to Center City. Counties that serve as regional retail hubs showed even higher tourism recovery levels than Philadelphia including Camden County and Montgomery County which boasted recovery levels of 134% and 108%, respectively. Following this migration of tourists was Geno's Steaks, which expanded for the first time, opening a new location in Cherry Hill. Attracting both residents and tourists alike, Geno's Steaks has been a Philadelphia staple for over 50 years. Geno's Steaks opened in Foodiehall, a delivery and pickup-only e-Restaurant, an increasingly popular option for growing fast-casual tenants. With no shortage of demand from local and visiting consumers, this new outpost will enable Geno's Steaks to satisfy a wider, growing customer base.

New-to-market concepts continued to add to demand growth as well, hoping to capitalize on not just residents but out-of-towners looking to splurge while on vacation. In March, the King of Prussia Mall announced the arrival of seven new stores, five of which will be opening in the state for the first time. These tenants include TravisMathew, Balenciaga, BruMate, Under Armour Brand House and Razer. Ranging from apparel to gaming to drinkware, these retailers will be welcome additions to this primary shopping destination. Underscoring the region's tourism

FIGURE 2: Significant Transactions

Retailer	Property	Transaction Size	Transaction Type	Trade Area
Planet Fitness	Warwick Square	25,000	Renewal	Richboro
Ross Dress for Less	Montgomery Square	15,470	New Lease	Montgomeryville
Image Studios	Cross Keys Commons	6,683	New Lease	Turnersville
Abraham Eye Associates	THE VILLANOVA CENTER	5,217	New Lease	Main Line West
Pet Supplies Plus	Giant Marketplace	4,558	Renewal	Bensalem
Fulton Bank NA	Eden Square Shopping Center	3,795	Renewal	Christiana
KidStrong	Cross Keys Commons	3,500	New Lease	Turnersville

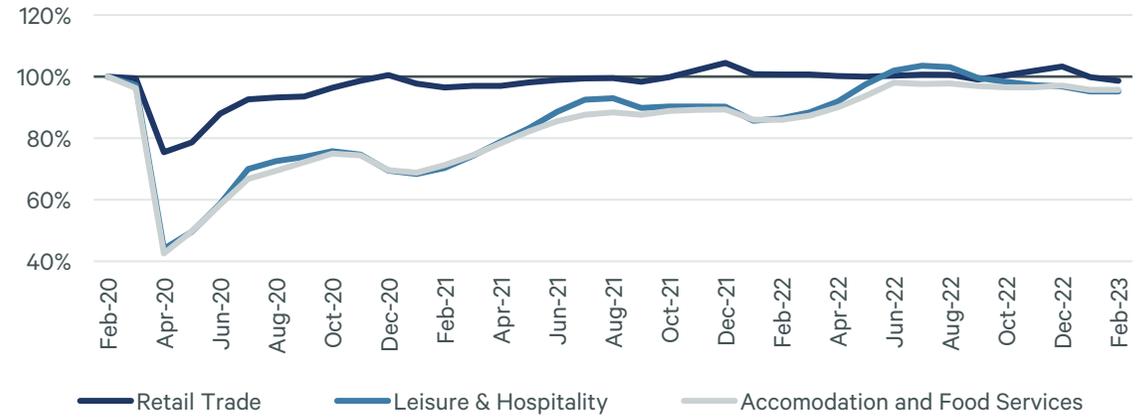
Source: CBRE Research, Q1 2023

rebound this quarter was Parx Casino who announced the opening of a new hotel in Bucks County. With a tourism recovery level of 131%, this is a welcome endeavor and expected to become a staple of the tourism industry in the Philadelphia suburbs. With summer just around the corner, tourism's recovery is expected to add to the region's retail demand growth, driving more store openings from both in-market retailers and new-to-market concepts.

## Employment

Hotels and restaurants were heavily impacted by pandemic-related restrictions. As Philadelphia re-opened, retailers faced labor challenges, specifically in the leisure and hospitality sector. According to February 2023 numbers from the Bureau of Labor Statistics, employment in both sectors was up 7.8% year-over-year but still slightly below February 2020 levels by 4.8% and 4.3% for accommodations and food services, respectively. Labor issues in the food and beverage industry were not unique to Philadelphia as only a portion of the nation's workforce returned to the hotel and food industries post-pandemic. Comparatively, employment levels within the retail trade sector were down 0.8% year-over-year but are only 1.4% below their pre-pandemic volumes. So, while the labor market showed continued signs of improvement throughout the start of 2023, retailers, restaurateurs and hoteliers were still far from pre-pandemic labor dynamics.

FIGURE 3: Philadelphia Retail/Hospitality Employment Levels Compared to Pre-Pandemic



Source: BLS.gov

FIGURE 4: Market Fundamentals by Trade Area

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Aking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>BUCKS COUNTY</b>						
Bensalem	5,817,950	6.1	\$17.29	-	-5,229	0
Doylestown	676,215	9.1	\$19.21	-	0	0
Feasterville-Treose	1,797,831	4.4	\$11.28	-	-7,106	0
Newtown	597,601	3.0	-	-	0	155,000
Oxford Valley	5,149,876	2.9	\$14.97	-	1,500	45,000
Quakertown	2,019,753	12.5	\$25.00	-	-15,206	0
Richboro	499,128	13.9	-	-	5,390	0
Warminster	1,949,407	6.4	\$25.25	-	26,425	0
Warrington	1,962,572	3.5	-	-	-10,765	0
<b>Bucks County Total</b>	<b>20,470,333</b>	<b>5.8</b>	<b>\$17.33</b>	<b>-</b>	<b>-4,991</b>	<b>200,000</b>
<b>CHESTER COUNTY</b>						
Exton/Downingtown	4,952,485	8.2	\$16.63	-	6,560	0
Kennett Square	291,836	2.7	-	-	0	0
Main Line West	1,268,388	6.4	\$20.84	-	0	0
Malvern	753,202	8.7	-	-	0	110,000
New Garden	1,124,888	5.1	\$25.00	-	0	0
West Chester	1,236,351	14.1	-	-	22,471	0
<b>Chester County Total</b>	<b>9,627,150</b>	<b>8.2</b>	<b>\$19.35</b>	<b>-</b>	<b>29,031</b>	<b>110,000</b>

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Aking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>DELAWARE COUNTY</b>						
Boothwyn	493,693	4.9	\$13.60	-	-14,592	0
Brookhaven	547,719	7.5	-	-	0	0
Chester	236,484	0.0	-	-	0	0
Concordville	1,257,805	8.4	\$19.20	-	6,373	0
Havertown	685,984	1.9	-	-	0	0
Media	956,107	8.7	-	-	0	0
Newtown Square	1,199,296	7.2	-	-	0	0
Springfield	3,366,373	6.2	-	-	95,701	0
Upper Darby	1,151,506	9.3	-	-	-6,768	0
<b>Delaware County Total</b>	<b>9,894,967</b>	<b>6.8</b>	<b>\$16.11</b>	<b>-</b>	<b>80,714</b>	<b>0</b>
<b>MONTGOMERY COUNTY</b>						
Bala Cynwyd	571,757	26.2	\$24.99	-	0	0
Cheltenham	1,723,550	4.0	-	-	-10,570	0
Collegeville	4,391,529	5.0	\$20.50	-	6,350	0
Horsham	893,599	5.1	-	-	1,471	0
King of Prussia	4,512,957	3.6	-	-	0	0
Main Line East	1,087,489	3.9	\$35.00	-	0	0
Montgomeryville	6,339,484	6.3	\$20.11	-	13,172	0

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Asking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>MONTGOMERY COUNTY (CONT.)</b>						
Plymouth Meeting	4,977,620	6.3	\$18.00	-	0	0
Pottstown	2,922,025	7.0	-	-	0	0
Trooper	1,037,636	3.5	\$20.00	-	-5,100	0
Willow Grove	2,947,061	6.1	\$25.08	-	-63,682	0
<b>Montgomery County Total</b>	<b>31,404,707</b>	<b>5.8</b>	<b>\$21.07</b>	<b>-</b>	<b>-58,359</b>	<b>0</b>
<b>PA Total</b>	<b>71,397,157</b>	<b>6.3</b>	<b>\$19.22</b>	<b>-</b>	<b>46,395</b>	<b>310,000</b>

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Asking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>BURLINGTON COUNTY</b>						
Burlington	2,454,187	7.1	\$14.54	-	959	0
Delran/Cinnaminson	1,975,930	5.4	\$13.58	-	8,911	0
Marlton	3,055,880	10.0	\$19.92	-	15,250	0
Mount Laurel	3,809,191	4.8	\$17.72	-	1,600	0
<b>Burlington County Total</b>	<b>11,295,188</b>	<b>6.8</b>	<b>\$17.16</b>	<b>-</b>	<b>26,720</b>	<b>0</b>

<b>CAMDEN COUNTY</b>						
Berlin	619,089	28.0	\$8.08	\$12.00	-2,100	0
Camden	313,514	5.2	\$19.38	-	0	0
Cherry Hill	6,367,975	5.5	\$18.64	\$12.00	-23,386	0
Voorhees	3,305,891	22.5	\$13.32	\$20.00	-18,852	0
<b>Camden County Total</b>	<b>10,606,469</b>	<b>12.1</b>	<b>\$13.47</b>	<b>\$15.20</b>	<b>-44,338</b>	<b>0</b>

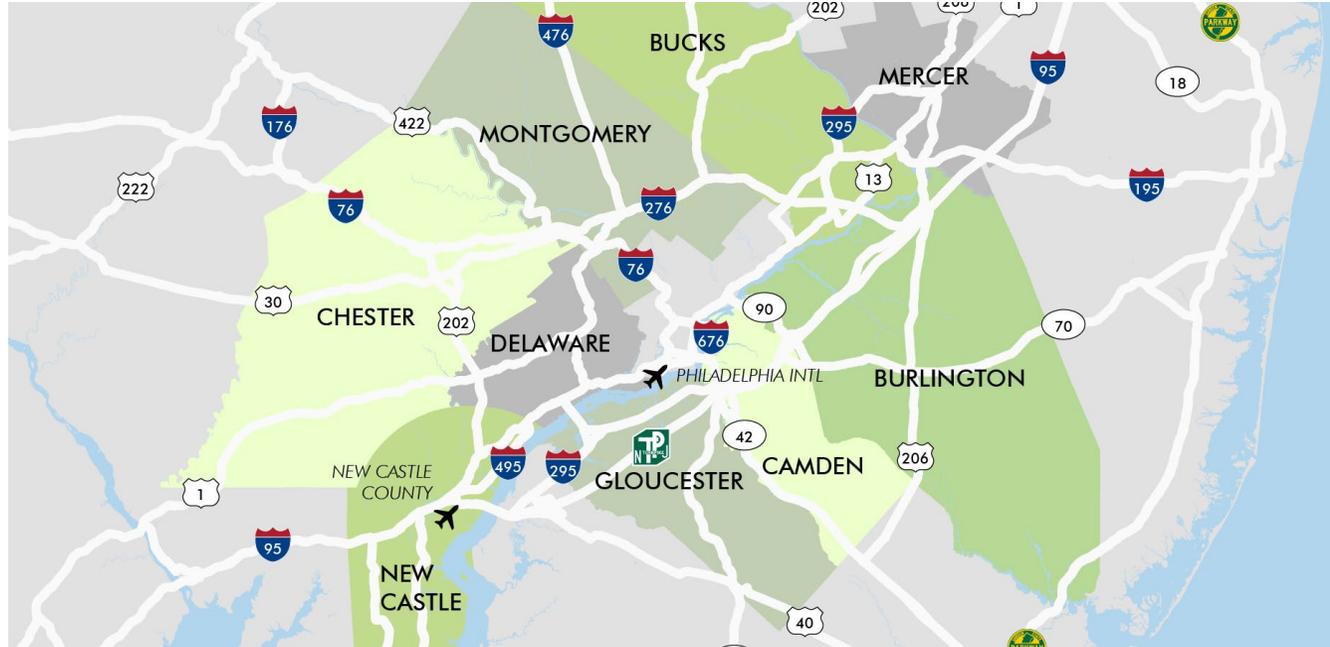
<b>GLOUCESTER COUNTY</b>						
Deptford	3,699,948	5.8	\$17.96	-	12,690	0
Turnersville	4,225,656	12.5	\$14.50	-	161,194	0
<b>Gloucester County Total</b>	<b>7,925,604</b>	<b>9.3</b>	<b>\$17.69</b>	<b>-</b>	<b>173,884</b>	<b>0</b>

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Asking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>MERCER COUNTY</b>						
East Windsor	1,243,240	10.1	\$30.34	-	-1,610	0
Hamilton	2,776,739	12.9	\$17.17	-	-7,229	0
Princeton	4,571,134	6.3	\$21.70	-	0	0
Trenton	2,284,723	13.1	\$18.16	-	0	0
<b>Mercer County Total</b>	<b>10,875,836</b>	<b>9.9</b>	<b>\$21.38</b>	<b>-</b>	<b>-8,839</b>	<b>0</b>
<b>NJ Total</b>	<b>40,703,097</b>	<b>9.5</b>	<b>\$16.38</b>	<b>\$15.20</b>	<b>147,427</b>	<b>0</b>

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<b>NEW CASTLE COUNTY</b>						
Christiana	6,083,857	5.6	\$14.00	-	2,560	0
Concord Pike	3,549,775	15.4	\$22.11	-	0	150,000
Hockessin	706,396	4.2	\$21.93	-	0	0
Kirkwood Highway	2,088,954	7.6	\$25.47	-	0	0
Newark	1,915,900	16.8	\$16.67	\$17.00	0	38,579
Wilmington	1,133,766	15.4	\$27.50	-	-7,288	0
<b>New Castle County Total</b>	<b>15,478,648</b>	<b>10.2</b>	<b>\$20.27</b>	<b>\$17.00</b>	<b>-4,728</b>	<b>188,579</b>
<b>DE Total</b>	<b>15,478,648</b>	<b>10.2</b>	<b>\$20.27</b>	<b>\$17.00</b>	<b>-4,728</b>	<b>188,579</b>

	Inventory (SF)	Availability Rate (%)	In-Line Asking Rents (NNN)	Anchor Asking Rents (NNN)	YTD Net Absorption	Under Construction (SF)
<b>BY CENTER TYPE</b>						
Community/Neighborhood Centers	69,635,151	9.5	\$18.00	\$15.60	40,312	238,579
Lifestyle/Power Centers	53,368,869	5.5	\$23.33	-	140,960	110,000
Strip/In-Line Centers	4,574,882	7.6	\$16.23	-	7,822	0
<b>Market Total</b>	<b>127,578,902</b>	<b>7.8</b>	<b>\$17.91</b>	<b>\$15.60</b>	<b>189,094</b>	<b>498,579</b>

### Market Area Overview



#### DOWNTOWN PHILADELPHIA OFFICE

50 S. 16<sup>th</sup> Street  
Philadelphia, PA 19102

#### SUBURBAN PHILADELPHIA OFFICE

555 E. Lancaster Avenue  
Radnor, PA 19087

#### WILMINGTON, DE OFFICE

3711 Kennett Pike  
Wilmington, DE 19807

#### MOUNT LAUREL NJ OFFICE

1000 Howard Boulevard  
Mount Laurel, NJ 08054

#### ALLENTOWN, PA OFFICE

1275 Glenlivet Drive  
Allentown, PA 18106

#### HARRISBURG, PA OFFICE

5 Capital Drive  
Harrisburg, PA 17110

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