



Downtown Vitality:

A DEEPER LOOK INTO OFFICE TRENDS

RISING VOLUMES OF PEDESTRIANS

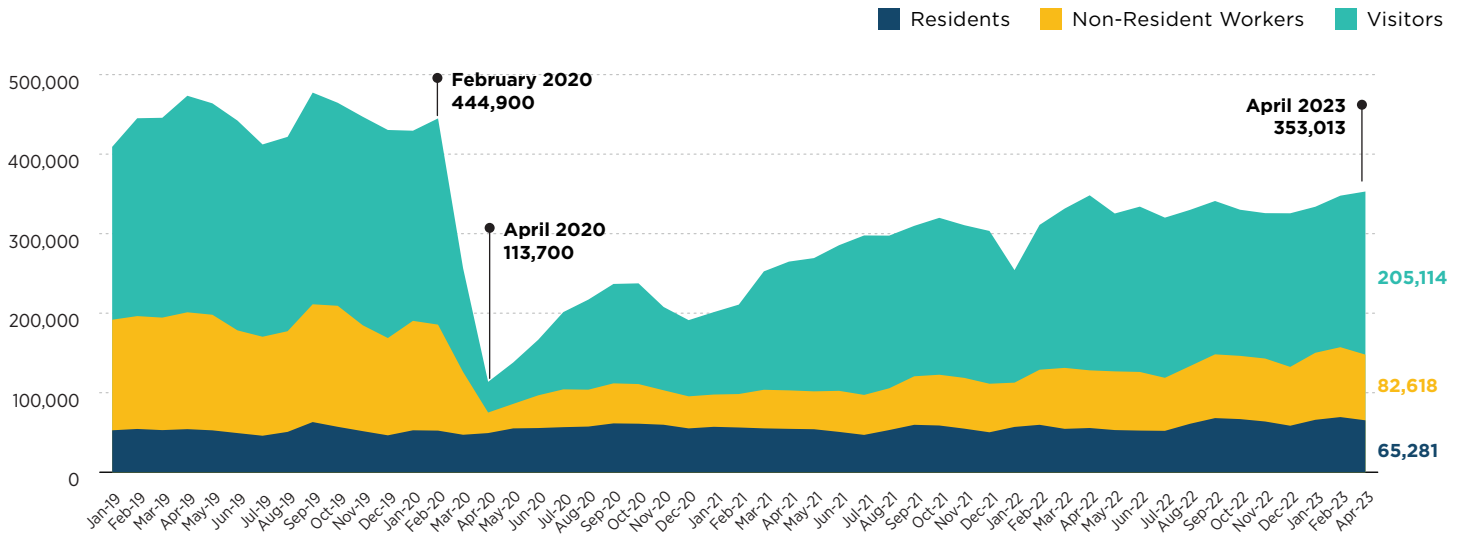
Pedestrian activity downtown, including office workers, has continued its gradual two-year upward trend. In April 2023, the number of pedestrians in Center City rebounded to 79% of February 2020 levels—and more than three times the volume in April 2020 (Figure 1). As new housing development remains robust across Center City, the residential population is now substantially higher than in 2019 and continues to rise. Visitors were at 75% of 2019 levels (90% on weekends), while workers of all kinds were at 56% of the same month in 2019. The slight downturn in workers between March and April 2023 is most likely due to the Easter and Passover holidays, especially since the number of non-resident workers present in the last two,

non-holiday weeks of April 2023 was slightly higher than the last two weeks of March 2023.. The longer-term upward trend is also apparent in the fact that the number of non-resident workers present in April 2023 was 14% higher than in April 2022 (Figure 2).¹

Within the West Market Street and JFK Boulevard office district the largest number of workers continue to be present on Tuesdays, Wednesdays and Thursdays, with most weekdays in 2023 experiencing significantly higher levels than the same days in 2022 (Figure 4).

1. This estimate is based on Placer.ai mobile phone location data. The Placer calculations show return trends 5% to 7% higher than the frequently cited Kastle Systems data, which is for the entire region. Kastle card entry systems are also only installed in two to three prominent downtown buildings.

Figure 1
Average Daily Visits to Core Center City



Source: Placer.ai

Figure 2
Areas for Measuring Pedestrian Volumes

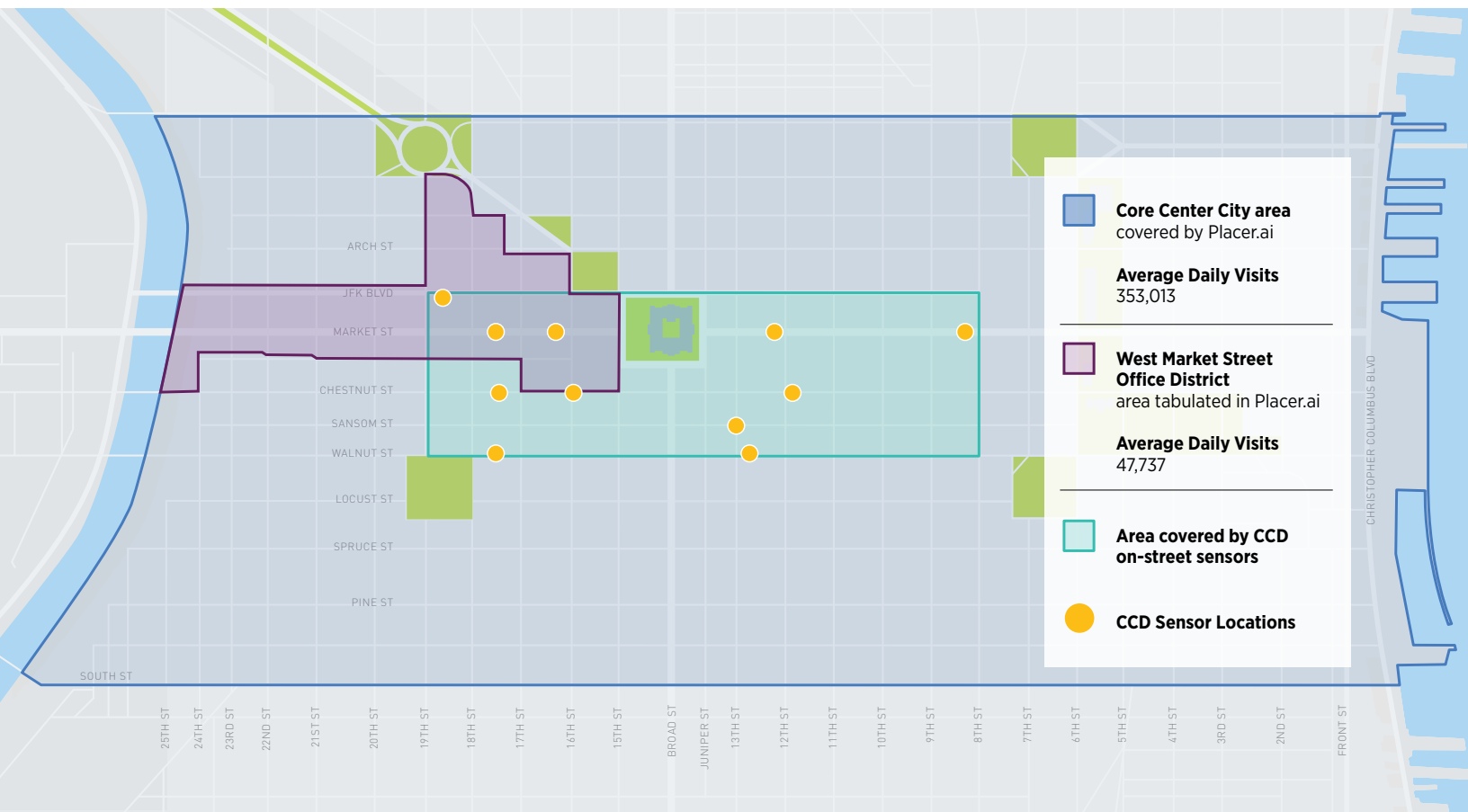
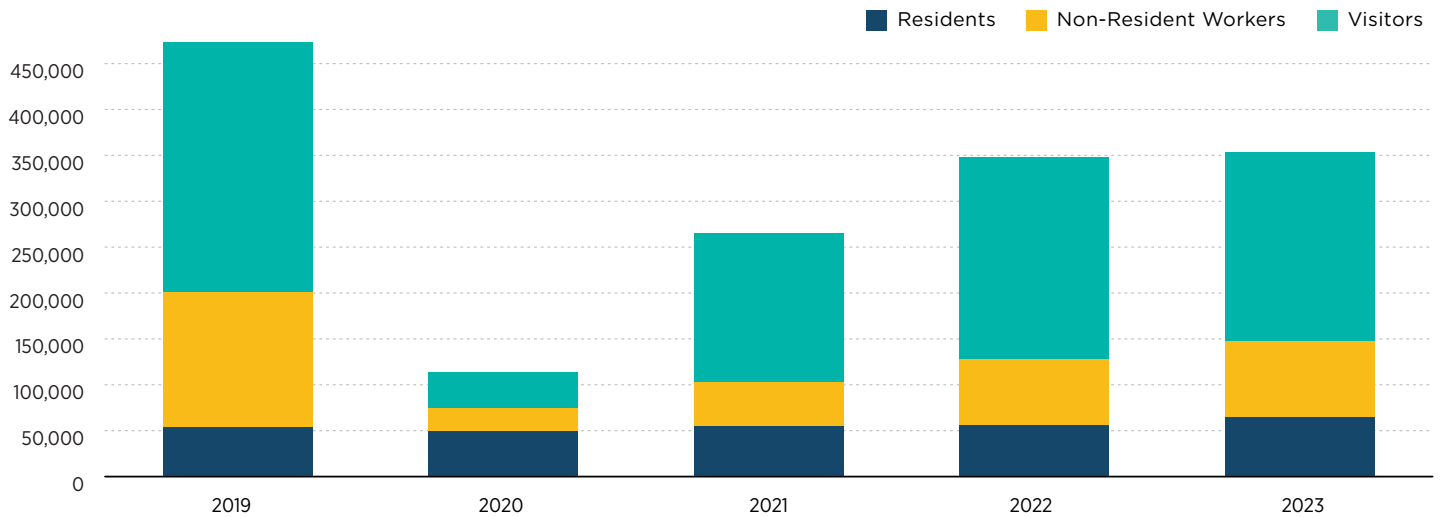


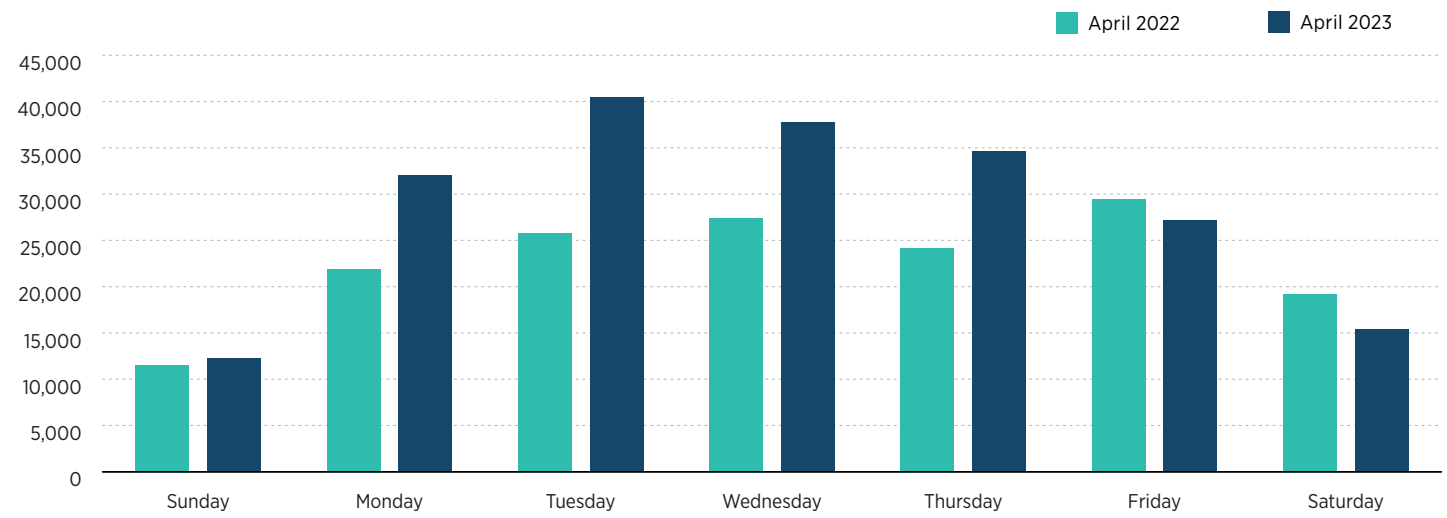


Figure 3
Core Center City Average Daily Population in April



Source: Placer.ai

Figure 4
Average Daily West Market-JFK Pedestrians by Day of Week in April



Source: CCD sensors

IN OFFICE, REMOTE, OR HYBRID WORK: RETURN TO WORK SURVEY

Among the three categories tracked by Center City District (CCD)—residents, visitors and workers—non-resident employees show the slowest rate of recovery, a pattern similar to most major U.S. cities. This has prompted a national dialogue about the future of work and of offices with concerns heightened by rising interest and vacancy rates and signs of an economic downturn in several sectors.

To better understand factors behind these trends among the business, professional, technology and financial services firms that occupy office buildings in downtown Philadelphia, CCD distributed an electronic survey to 250 companies or organizations located in Center City or University City.

The Building Owners and Management Association (BOMA) also circulated the survey to their members. The survey ran from April 10 to April 28.

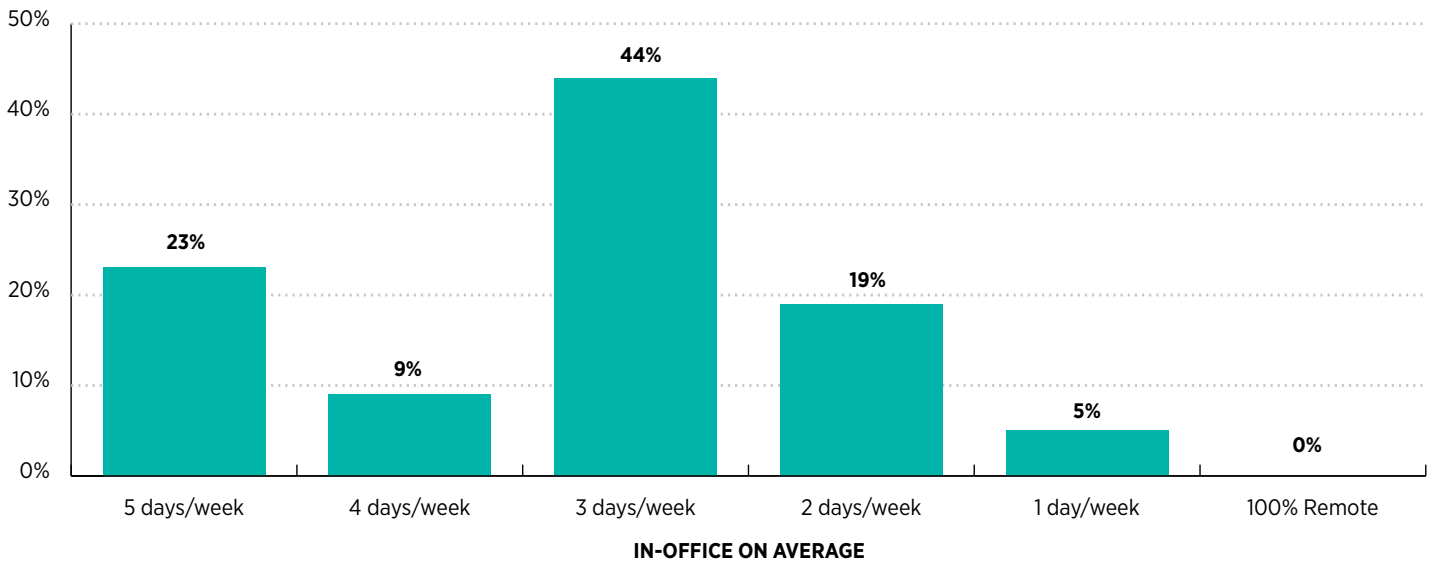
Sixty-four firms (26%) responded, ranging in size, ownership and industry. Respondents varied from companies with fewer than 10 employees to organizations with more than 1,000; 85% were private sector; 15% were nonprofits. Forty-two (65%) were headquartered in Center City or University City; 73% of all respondents made employee policy decisions locally, 27% followed directives from their national office. Across all responding firms, 44% of employees take public transportation to work, 40% drive and 19% walk.

WHAT IS THE TYPICAL WORKWEEK?

Seventy-six percent (76%) of responding organizations reported that their employees were in the office three days per week or more; 44% had employees in the office on average three days a week; 23% were in five days per week; 19% reported two days per week; 9% were in four days per week and 5% reported just one day per week. No respondents were fully remote (Figure 5).

Most firms (71%) required a minimum number of days in the office with 63% mandating at least three days; 19% took the route of encouraging some days in the office; 6% allowed employees to choose, while just 3% directed employees to work from home some days of the week.

Figure 5
What is your office’s current pattern of work, averaging all types of workers in your office?



Source: CCD survey

FACTORS INFLUENCING DECISIONS

Respondents were asked to rank on a scale of 1 to 4 (with 1 being *least important* and 4 *most important*) a series of factors that may be barriers to return to office (Figure 6), while also ranking the benefits of in-office work (Figure 7).

The largest barrier to bringing employees back more frequently, according to respondents, is the belief that “employees have grown accustomed to working from home and we are unable to change that.” Second was the concern that firms would not be able to attract talent without offering a remote work option. Ranked third was the concern that

employees feel unsafe while riding transit or walking in Center City. All three factors were clustered relatively close together.

Among the advantages of in-office work, face-to-face meetings for collaboration with colleagues ranked highest with an average importance rating of 3.6; followed by improved ability to supervise and mentor staff and convey company culture (3.4); professional development for all staff (3.2); face-to-face meetings with clients (3.1); the ability to focus with fewer distractions than at home (2.5), and access to technology and IT staff (2.0).

Figure 6

On a scale of 1 to 4, with 1 being least important, how do you rank the barriers to bringing employees back at greater frequencies?

	Rank	Average Response
Our employees have grown accustomed to working from home and we are unable to change that	1	2.88
Unless we offer a remote option, we are unable to attract the talent we need	2	2.81
Our employees feel unsafe riding transit or walking in Center City	3	2.73

Source: CCD survey

Figure 7

As you and your senior management discuss options for workplace location policies for 2024, on a scale from 1 to 4, how has your company ranked the following factors in favor of increasing the level of in-office work?

	Rank	Average Response
Value of face-to-face meetings for collaboration with colleagues	1	3.62
Better ability to supervise and mentor staff and convey company culture	2	3.39
Professional development for all staff	3	3.20
Face-to-face meetings with clients	4	3.11
Ability to focus on work, fewer distractions than at home	5	2.52
Access to technology and IT staff for troubleshooting	6	2.02

Source: CCD survey

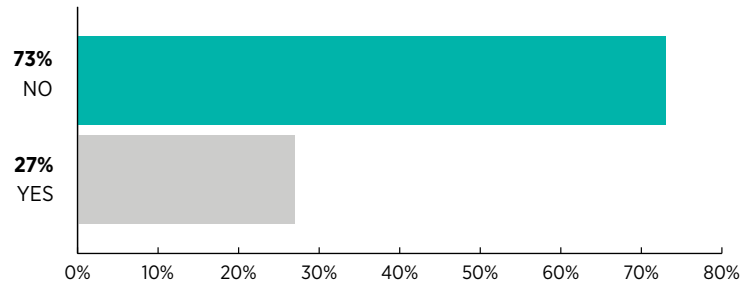
INCENTIVES TO ENCOURAGE RETURN

Only 17 of the 64 respondents had developed special programs to encourage the return of employees (Figure 8), but 75% were interested in learning what other employers are doing successfully to increase the number of workers who are returning. Among those firms that have created special incentives, they include free breakfast or lunch, happy hours, community stipends, free parking, and programming to encourage office use. Reinforcing the belief in the value of face-to-face interaction, many of these incentives are built around socialization for staff.

Despite the high percentage of employees using transit, most firms (71%) are not currently taking advantage of SEPTA's corporate discount program.

Figure 8

Have you developed in-office programs or special incentives or inducements to encourage a return to the office?



Source: CCD survey



INDIVIDUAL FIRM RESPONSES

“We hold monthly social gatherings in our Philadelphia office, which not only encourages employees to come to the office that day, but also draws our staff from other office locations in the region. It is also a great opportunity to invite clients and industry partners to the office to meet and socialize with our staff.

We believe the most effective incentive for getting people into the office is the opportunity to interact and socialize with co-workers. Our attendance is better on days when we have organized team meetings and events.”
(Engineering Firm)

“We believe the most effective incentive for getting people into the office is the opportunity to interact and socialize with co-workers. Our attendance is better on days when we have organized team meetings and events. We are also publicizing office attendance statistics which seems to be making a difference. We have also reached out to folks who rarely come to the office to ask them how we can make the office more attractive for them. The personal outreach to people seems to increase attendance slightly.

We have also been providing free lunches on Wednesdays and snacks throughout the offices on all days. The food is nice and people appreciate it but not sure it moves the needle on attendance.” (Law Firm)

LOOKING TO THE FUTURE

Companies were also asked about anticipated real estate needs. Focusing only on the private, for-profit companies, 63% expect to need the same amount of space in Center City or University City, while 24% anticipate reducing their office footprint and 13% anticipate growing their footprint. These results are for a cross-section of firms, many of whom are not actively looking for space at present. When these findings were shared with representatives of major commercial brokerage firms, they reported that all firms *currently in the market* for renewals or new locations are projecting a significant downsizing of their space needs.

The final question in the survey was one in which respondents were asked to look into the future. *Do you consider the status quo in your office today the "new normal" for the next few years or do you anticipate that work patterns will continue to evolve as conditions change?*

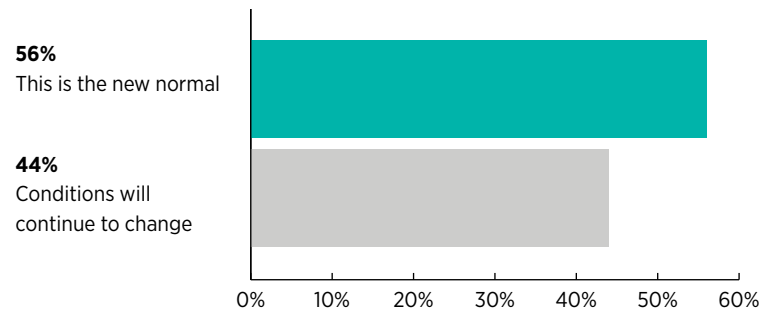
Respondents were closely divided on whether current office work patterns are the "new normal" (56%) or if current patterns will continue to evolve as conditions change (44%) (Figure 9)

For those who believe that firms are more collaborative, productive and competitive when employees are working together in the same space; that younger staff benefit from mentoring and more professional opportunities; and that more jobs are preserved for service workers in offices and supportive sectors like retail, food services and transportation, for whom remote work is not possible, the trends of the last two years are mildly encouraging.

If at any point from mid-2022 onward, the question had been posed *Is this the new normal?* The responses probably would not have been much different from those above. Yet, as Figure 10 suggests, there has been a gradual but steady increase in the number of people returning to the office district. Like a very cool spring, when the leaves open slowly, change from day to day may be imperceptible, but the cumulative trend is both apparent and significant.

Figure 9

Do you consider the status quo in your office today the "new normal" for the the next few years or do you anticipate that work patterns will continue to evolve as conditions change?



Source: CCD survey

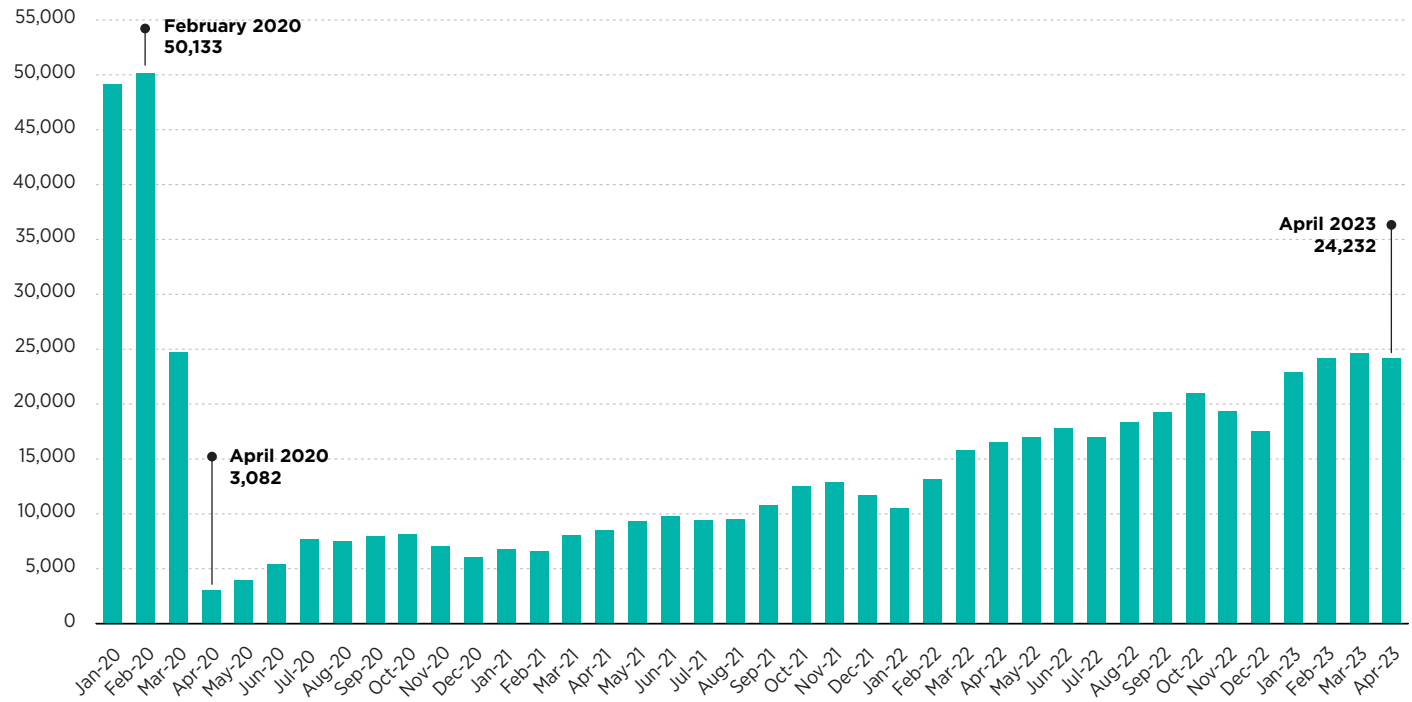
INDIVIDUAL FIRM RESPONSES

"We have tried to keep it fun around here and have a robust series of educational lunch programs, monthly in-office meeting (basically an update on the firm monthly), breakfast on Fridays, etc. We have also instituted a new mentorship program that requires approximately eight face-to-face mentor/mentee meetings over a six-month period. We are encouraging mentors to use this time to go out to lunch together (reimbursed by the firm).

What doesn't work is browbeating. For those who enjoy the remote work option, they are firm in their belief that they work just as well at home. I don't agree, but that's because I define 'work'—especially from mid-management—as including guidance and mentoring younger staff.

I suppose appealing to their sense of work ethic and loyalty to firm and co-workers makes many people understand the value and necessity of coming into the office. An architect without this work ethic and dedication doesn't last long in this profession. There is a sense of pride in most professional services offices. Appealing to that pride is a powerful thing. Those who don't have it will shortly move along elsewhere." (Architecture Firm)

Figure 10
Non-Resident Worker Average Weekday Population in West Market/JFK Office District



Source: Placer.ai

On the other hand, if declining office demand persists, it can have a significant adverse impact on jobs in ancillary services and on the city’s real estate tax base. Occupancy levels in Center City office buildings have declined from 87% in 2019 to between 80.4% and 82.5% at the end of the first quarter of 2023, based on the slightly different inventory counted by three of Philadelphia’s major commercial brokerage firms. While this is a far less precipitous decline than in many other downtowns, and while Philadelphia does have a strong track record converting vacant offices to residential use, what this city needs most is sustained job growth.

To encourage these trends, CCD has doubled its public safety staff to 100 and has partnered with major building owners, transit agencies and public safety professionals to engage workers directly at lunchtime in building lobbies. For the balance of the spring, CCD is expanding its collaboration with more office buildings to bring the entertainment and social events that CCD produces in Dilworth Park into office plazas at lunchtime and day’s end—enhancing the spaces that surround places of work and reinforcing in public spaces the same benefits that social interaction brings to the workplace.

Cities are not the passive results of immutable trends, they are acts of creation: the results of civic, business and political leadership. Conditions have changed substantially in the last three years but the objectives remain the same: a clean, safe and attractive city with vibrant sidewalks and public spaces; innovative organizations that create jobs that pay living wages; and opportunities for people at all educational and skill levels. There are better ways to do that than acting by remote control.

