Audience
Research &
Analysis

The Lower Manhattan Commercial Sector:

Looking Back, Moving Forward

September 2002

Downtown Alliance

Introduction

After September 11, 2001, many wondered whether Lower Manhattan would be able to weather the storm of dust, smoke and tragedy that enveloped the district. September 11, 2002 offers the chance to review the impact of those events on Downtown and look to the future of Lower Manhattan. In August 2002, the Alliance for Downtown New York retained Audience Research & Analysis (ARA) to conduct a study of current commercial tenants in Lower Manhattan to assess changes since 9/11 in:

- Employment and space needs
- Issues in attracting and retaining employees
- Revenue performance and outlook
- Intention to renew leases and remain Downtown
- Utilization and impact of financial incentives
- Insurance coverage and premiums

Executive Summary

This study found that Lower Manhattan businesses have stabilized and are beginning to recover, but many are not yet committed to staying Downtown. Specifically, it discovered

1. The commercial environment Downtown has stabilized,
2. Employment is beginning to rebound,
3. The worst is behind us and the outlook is improving.
4. However, many businesses are still unsure about staying Downtown.
5. Now is the time to retain businesses at-risk of leaving New York.

The commercial sector Downtown has stabilized. The commercial environment Downtown is improving. Almost half of all companies report their outlook has improved from six months ago. More than three-quarters of all companies reported that their outlook has improved or is the same from six months ago.

Employment is beginning to rebound. More companies have been hiring than laying-off employees in the past year. Almost 70 percent of companies never laid-off any employees. Fifty-one percent of all companies have hired employees. Those companies that did lay-off employees in the past year are hiring, on average, more employees than companies that did not lay anyone off. Almost 3 times as many companies expect to be hiring than laying-off employees in the next six months. ***Currently***, ***approximately 60 percent of the jobs lost to layoffs Downtown have already been recovered.***

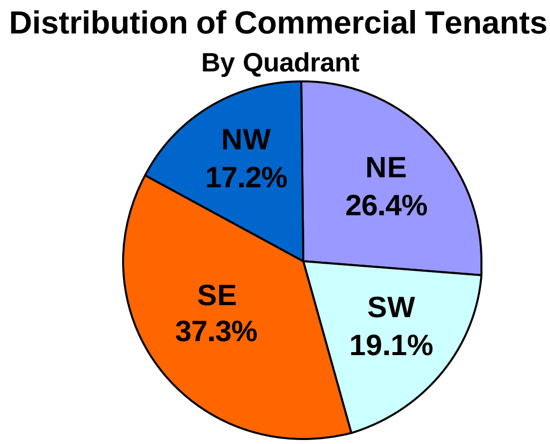
The worst is behind us and the outlook is improving. The last year was difficult for most companies with 62 percent reporting worse revenues over the last three quarters compared to the same period a year earlier. About two-thirds of the companies reporting worse revenues attributed the decline to the events of 9/11, but more than one-third said the economy was primarily to blame. However, 54 percent of all companies see fiscal year 2003 as better than this year and only 12 percent think it will be worse. In terms of expansion, 20 percent of all companies expect to need more space when they renew; when only looking at companies with more than 50 workers, 33 percent expect to need new space.

However, many businesses are still not yet fully committed to staying Downtown. Only thirteen percent of companies stated they will not be renewing their lease upon expiration while 43 percent of companies plan to renew. However, there is a large percentage of companies (45 percent) who still aren't sure whether they will renew their lease or not. **The most significant issue to the companies who are not sure about renewing their lease is the problem of increased commuting time for their employees – particularly among employers with more than 100 employees.**

Now is the time to retain businesses at-risk of leaving New York. Forty-five percent of the companies who took space after 9/11, and 67 percent of companies that are still considering acquiring new space, reported the primary reason to relocate was *Employee Preference*. Companies whose employees experienced an *Increase in commuting time* or are frustrated by a lack of *After-hours transportation* are most likely to choose not to renew. Of companies who already have decided not to renew, 25 percent view the *Lack of retail and restaurants* as a significant factor in their decision. **The stakes are high; of those considering moving offices, 25 percent indicated they would move out of New York City. In fact, of the current Downtown companies that took space after the events of September 11th, 50 percent took space outside of New York State.** Improvements in transportation to decrease employees' commuting time and to extend after-hours transportation, as well as increasing restaurant and retail options are vital to retaining business Downtown.

Sample Distribution

ARA conducted interviews by telephone and in-person among senior executives in August 2002. The sample is comprised of 587 companies from four geographic quadrants as shown on the right. South of Chambers Street, Downtown was divided north to south along Broadway and east to west across Liberty Street. The companies were drawn from a recent Dun & Bradstreet (D&B) list.



To more accurately reflect the behavior and opinions of companies on a per-employee basis, we oversampled Downtown's larger employers. In our sample, 13 percent of the companies employed more than 100 people, compared to an average of about five percent in Downtown. The New York City Economic Development Corporation (EDC) estimated, prior to 9/11, that 140 of the approximately 11,000 Downtown companies employed about one-half of Downtown's workforce.

The sample distribution of commercial tenants from the five major industries reflect the actual distribution of businesses Downtown based on a recent D&B listing

Distribution by Industry (percent)	**Survey**	**Actual**
FIRE (financial, insurance, real estate)	32.4	30.0
Professional Services (acct., legal, other)	28.1	36.6
Non-profit (excluding govt. and educ.)[1]	9.7	4.2
Trade & Support (wholesale, pers&med.serv,other)	18.6	20.8
High-tech (telecom, software, e-commerce, other)	11.1	8.4

[1] We oversampled non-profit, and to a lesser extent, high-tech companies in order to obtain a minimum sample size that would render statistically reliable results. Government agencies and education, which were deemed to be subject to different influences, were removed from the non-profit sector in this study.

Number of Employees by Industry (Percent)	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/ Support
1 to 10	45.2	52.7	33.1	40.9	40.4	**59.7**
11 to 25	21.8	18.2	27.4	27.3	14.0	18.3
26 to 50	11.4	9.1	15.3	12.1	12.3	7.3
51 to 100	8.5	7.3	7.4	9.1	22.8	4.6
More than 100	13.1	12.7	16.8	10.6	10.5	10.1

More of the largest firms are located in the Southeast quadrant while many of the smallest companies are in the Northern half.

Number of Employees by Quadrant (Percent)	Total	NW	SW	NE	SE
1 to 10	45.2	57.4	39.3	51.6	37.9
11 to 25	21.8	19.8	28.6	21.9	19.2
26 to 50	11.4	7.9	9.8	12.9	12.8
51 to 100	8.5	5.0	12.5	5.2	10.5
More than 100	13.1	9.9	9.8	8.4	19.6

Detailed Findings

Location and Additional Space

More than four out of five (82 percent) of the companies were headquartered Downtown, while the balance were branch offices (15 percent) or subsidiaries (three percent). The Northwest quadrant had the highest proportion (87 percent) of headquarters.

One out of eight companies (12 percent) currently operate from more than one location Downtown. Only five percent of the firms occupy more than 200,000 square feet at all of their Downtown locations. In the FIRE sector, the proportion rises to ten percent. None of the high-tech firms in our sample occupies that much space.

About nine percent of the companies took additional office space outside of Lower Manhattan after 9/11. This proportion rose to 14 and 10 percent in the non-profit and trade/support sectors, respectively. The Southeast had the highest incidence among the four quadrants of firms seeking space outside of Downtown (11 percent). The incidence of taking space outside of Downtown increased with company size, ranging from six percent with companies of 25 employees or less, to18 percent among those with more than 100. Branches were more likely (13 percent) to have sought new space outside of Downtown than headquarters (eight percent).

Eighty-six percent still occupy the new space; **only one out of nine (11 percent) describe the new space as temporary.** For almost half of these companies, the primary reason for taking the new space was *employee preference.* "We opened this space strictly to accommodate five of our employees who cannot travel to New York City." Almost one-third, however, had their *previous space damaged or destroyed*.

Primary Reasons Took New Space	**Percent**
Employee Preference	45.5
Previous Space Destroyed/Damaged	29.5
Decentralize Essential Workforce	13.6
Info on Different Power/ Telecom Grid	4.5
Relocate Backup Office to Other Area	2.3

One-third took additional space in Manhattan, and almost one-quarter found space elsewhere in New York City. Significantly, almost 50 percent took space outside of New York State.

Where Took Additional Location*	**Percent**
Elsewhere in Manhattan	31.8
New Jersey	29.5
Other New York City	22.7
Other New York State	6.8
Other United States	6.8
International (e.g., Canada, London)	13.6
Other multiple	6.8

*multiple responses accepted

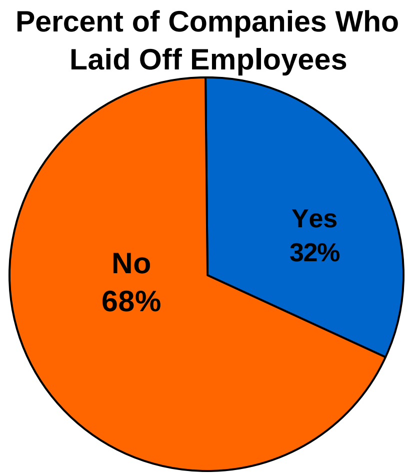
Of those companies that had not yet taken new space, one out of five (19 percent) were considering taking space outside of Lower Manhattan. For these companies that were thinking prospectively about a new or additional location, the driver was less a matter of necessity and more aligned with employee desires or decentralizing information and its workforce. "Yes, we are considering taking office space outside of Lower Manhattan…for the ease of our clients to have access to the location."

Primary Reasons For Considering New Space	**Percent**
Employee Preference	66.7
Decentralize Essential Workforce	16.2
Relocate Backup Office to Other Area	16.2
Info on Different Power/ Telecom Grid	15.2
Previous Space Destroyed/Damaged	5.1

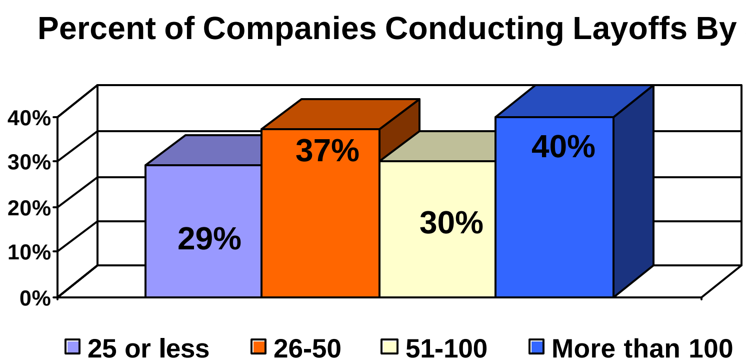
Smaller businesses (less than 25 employees) and FIRE sector firms were statistically more likely to report considering taking space outside of Lower Manhattan whereas larger firms (50 or more employees) and non-profits were less likely.

Employment

Almost 70 percent of companies surveyed have not laid-off any employees since 9/11. For the 32 percent that conducted layoffs, not all of the lay-offs were due to 9/11. Economic decline guided many companies in their strategic decision-making. (For more detailed information on companies' perception of the impact of the economy on revenues, please turn to the Revenue section on page 9).



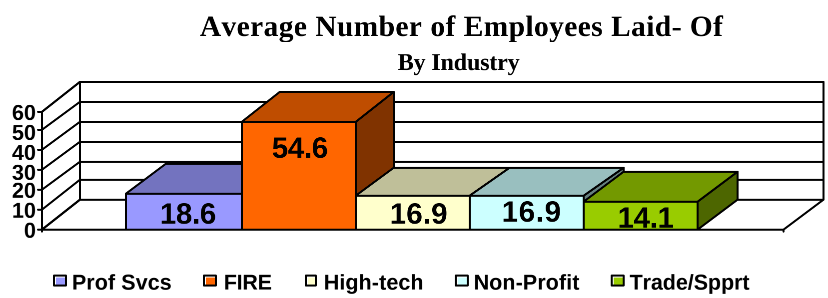
Of the 32 percent of companies who have laid-off employees since 9/11, the number of layoffs averaged 26 per company. These companies had a pre-9/11 mean employee count of 191.



Company Size	Total	25 or fewer	26-50	51-100	More than 100
Average **Number** of Layoffs per Company	**25.8**	6.5	10.0	32.4	285.1

Layoffs were distributed across all job categories – support, professional and operations. Almost six out of ten companies laid-off support staff while about four out of ten laid-off operations staff. The Hi-tech and Non-Profit sectors had above average job loss among professional staff.

FIRE companies, best represented among larger firms, incurred the highest average number of layoffs, with 55 employees leaving compared to the 26 averaged by all of the industries combined.



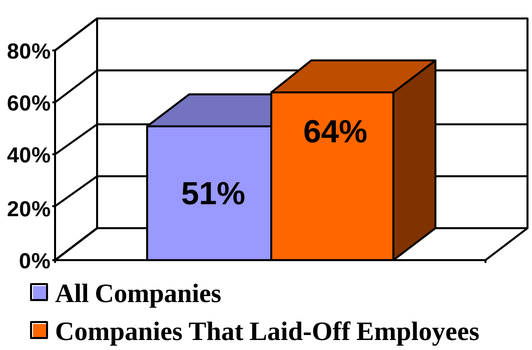
New Hires

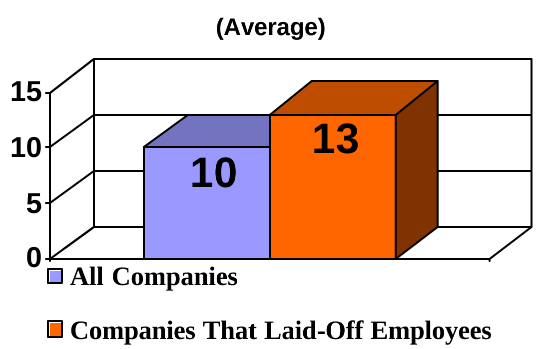
According to the results of this survey, approximately 60 percent of the jobs lost to layoffs Downtown have already been recovered. This result is based on 32 percent of all companies laying off an average of 26 employees and 51 percent of companies hiring an average of 10 workers.

Those who laid-off employees were not only more apt to hire new employees (64 percent) than those who didn't lay-off any employees, but they also tended to hire a greater number of new employees (an average of 13 vs. 10).

Hiring of New Employees

(All Companies vs. Companies That Laid-Off Employees Since 9/11)





Employment Plans

Almost 75 percent of companies surveyed expect employment levels to be stable over the next six months. More positively**,** in the next six months, almost three times as many companies (20 percent) anticipate hiring than those (8 percent) who expect further layoffs. Larger companies (50 or more employees) are more likely to be hiring new employees over the next six months. High-tech firms also anticipate hiring more than the overall industry average over the next six months.

Recruiting and Retaining Employees

Almost three out of four Downtown employers (72 percent) identified issues that make it harder to recruit or retain employees. Fifty percent cite a *carryover from 9/11* that appears to include a host of intangibles comprised not only of memories of the devastation but how and when the area will regain its excitement and verve. Among the more tangible issues, almost one-half (46 percent) keyed in on the *increase in commuting time* resulting from the curtailment of certain transportation options. The issue was most deeply felt in the SW quadrant (50 percent) and least so in the NE (39 percent).

About one-third each cited *security and personal safety* issues (33 percent) and concerns *with air quality and health issues* (31 percent). Safety issues peaked in the SW quadrant (38 percent). Health issues were more pronounced in the NW and SW, 38 and 35 percent, respectively.

Other significant factor were the *uncertainty about the rebuilding* (26 percent), *after-hours transportation* (24 percent), and *lack of restaurants, stores and services* (17 percent). Rebuilding issues were greater in the NW (32 percent) and SW (28 percent). Concern with after-hours transportation was distributed across all quadrants. *Lack of dining and retail* was higher in the NW (28 percent) and SW (22 percent), while being far lower in the NE (9 percent).

These issues and perceptions are correlated with the likelihood to renew a lease. Among those who are likely to renew their lease, the two biggest recruitment and retention issues are *carryover from 9/11* (reported by 46 percent of companies) and *increase in commuting time* (reported by 37 percent of companies) with only about one-fifth of companies each reporting that *air quality and health issues*, *uncertainty about rebuilding* and *after-hours transportation* were also concerns. Those not planning on renewing their lease were about twice as concerned about health issues as those planning to renew.

> "It became increasingly difficult to bring people to work Downtown and retaining them. Recruiting is becoming increasingly difficult."

> "We are at a competitive disadvantage in terms of recruiting. It is problem given that everything else is the same the location will make the decision."

Among the issues affecting companies who are still undecided about renewing their lease, at least half of the companies mentioned *increase in commuting time* and *carryover from 9/11* most frequently. More than one-third of undecided companies reported *security and personal safety* (36 percent) along with *air quality and health issues* (37 percent versus only 23 percent for companies intending to renew) as factors. More than one-quarter stated *uncertainty about rebuilding* (29 percent) and *after-hours transportation* (26 percent) were issues. "For the *uncertainty about rebuilding*, my own thought is that it is a great opportunity for the city to make the area a major transportation hub for NJ, LI, and CT for the long-term."

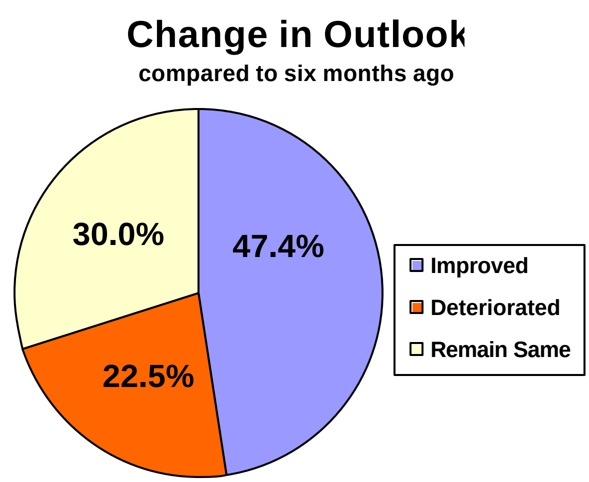
Issues Affecting Likelihood of Lease Renewal	**Total** (percent)	**Intend to Renew**	**Not Renew**	**Don't know**
Carryover from 9/11	**50.3**	45.5	60.3	50.4
Increase in commuting time	**46.0**	37.1	50.0	56.0
Security and personal safety	**33.2**	30.8	35.3	35.9
Air quality and health issues	**31.3**	22.8	42.6	37.2
Uncertainty about rebuilding	**25.6**	20.1	29.4	28.6
After-hours transportation	**24.2**	19.6	33.8	26.1
Lack of restaurants, retail	**17.2**	11.2	25.0	18.4

The issue of transportation is particularly salient among large companies: 65 percent of companies with 100+ employees cite the *increase in commuting time*, making it the number one concern among large companies. Compared to the total sample of companies, large firms were also relatively more concerned about the *carryover from 9/11* and *after-hours transportation*. They saw *security and personal safety* and *air quality issues* as less of a concern.

Recruitment/Retention Issues by Company Size	Total (percent)	25 or fewer	26-50	51-100	100+
Carryover from 9/11	**50.3**	49.1	49.3	48.0	58.4
Increase in commuting time	**46.0**	39.7	58.2	50.0	64.9
Security and personal safety	**33.2**	33.1	41.8	30.0	28.6
Air quality and health issues	**31.3**	32.1	37.3	30.0	23.4
Uncertainty about rebuilding	**25.6**	26.7	22.4	20.0	26.0
After-hours transportation	**24.2**	23.4	20.9	16.0	*36.4*
Lack of restaurants, retail	**17.2**	19.1	16.4	4.0	16.9

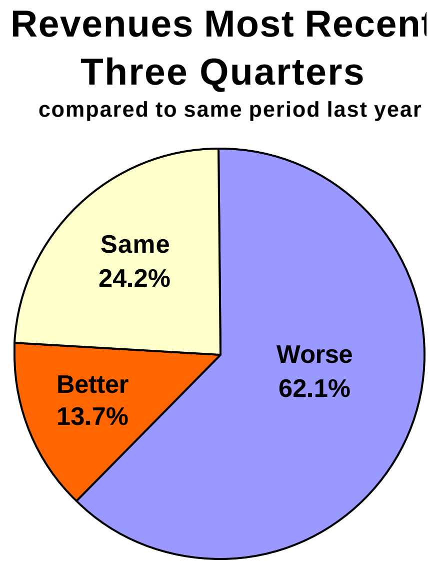
Change in Outlook

Almost one-half of all companies felt that the outlook has improved over the last six months. Only a quarter felt that the outlook had deteriorated. One-third saw no change. More than one-half of the High-tech industry (55 percent) said the situation improved while less optimism was expressed in the services sector (42 percent "improved"). Greater improvement was noted among companies in the western quadrants (54 percent) compared to those to the east (44 percent).



Revenues

Almost two-thirds of the companies experienced worse revenues over the most recent three-quarters compared to the same period a year earlier. Smaller firms were the hardest hit. Two-thirds (66 percent) of firms with fewer than 50 employees had worse revenues while 11 percent were better. Almost half (49 percent) of larger companies (50+ employees) had worse revenues, while 23 percent were doing better. High-tech was the hardest hit with 73 percent reporting lower revenues while 18 percent reported better revenues in the most recent three-quarters. FIRE companies fared better, 53 percent posting worse revenues and 18 percent improved.



Almost two-thirds, on average, attributed their worsening revenues primarily to the impact of 9/11. More than a third, on the other hand, principally blamed the economy. The downturn played a larger role in the misfortunes of High-tech and FIRE companies.

Attribute Worse Revenues:	Total	Prof Serv	FIRE	High-tech	Non-profit	Trade/Support
Events of 9/11	61.9	64.7	58.0	56.0	64.6	66.0
Economy	38.1	35.3	42.0	44.0	35.4	34.0

Larger companies tended to attribute a greater proportion of the decline to the economy.

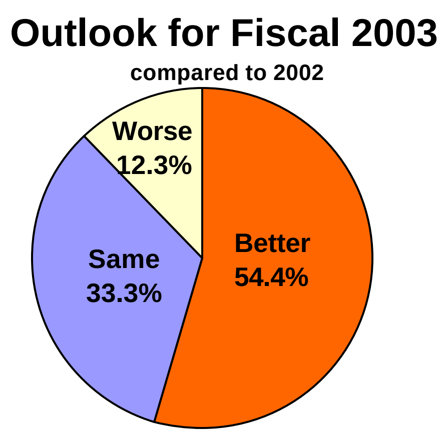
Attribute Worse Revenues:	25 or fewer	25-50	51-100	100+
Events of 9/11	65.8	57.6	50.4	47.4
Economy	34.2	42.4	49.6	52.6

Three-quarters of Downtown companies source some of their revenues from other firms located in Lower Manhattan. For these companies, the proportion of revenues sourced from clients located in Downtown dropped from 44 to 36 percent, amounting to a proportionate drop of almost 20 percent. The greatest decrease was seen in the High-tech sector. Prior research has shown that the viability of Downtown's High-tech firms depended on access to the financial and other local businesses.

Revenues from other Downtown Companies	Total	FIRE	Prof Serv	Non-profit	Trade/ Support	High-tech
Current	36.2	40.3	29.4	31.1	47.1	31.3
Prior to 9/11	43.6	43.3	39.2	34.0	54.3	46.4

Outlook for Fiscal 2003

More than half, however, see fiscal 2003 as being better than 2002. Only 12 percent believe next year will be worse. High-tech firms are the most optimistic at 82 percent predicting a better fiscal 2003. A little less than half of non-profit, professional services, and trade & support believe 2003 would be better.



Leases

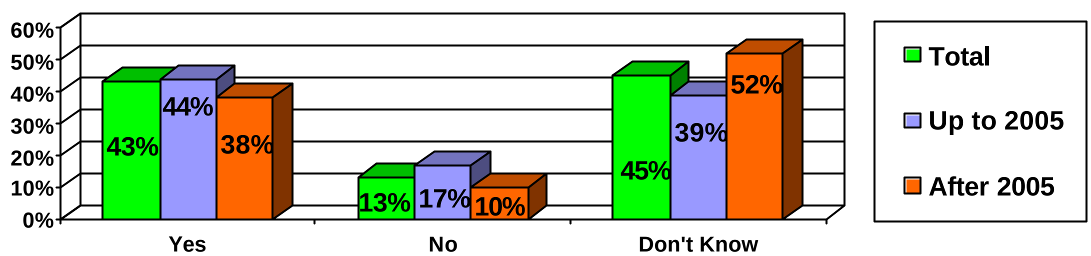
Four out of five companies lease their space while ten percent, each, sublease or own. Larger companies, of course, are more inclined to own. Twenty percent of those with 100+ employees, for example, own their building. Regardless of whether they own or lease, one out of five firms say that they intend to sub-lease some of their space to other tenants, indicating the presence of excess capacity.

At 25 percent, non-profit companies were the most inclined to seek others to sublet. Those with more employees were also more likely to sublet some space. For example, 27 percent of 100+ employee companies intended to sublease.

More than four out of ten plan to renew their lease at the end of its term. The proportion was consistent across quadrants except for the Southeast where it fell to 36 percent. About half (54 percent) of the current leases end by 2005. Uncertainty, rather than negativity, increases with lease duration. More than one-half of those that have a lease expiring after 2005, for example, are unsure about the renewal.

Organizations located in the Southeastern quadrant are more likely to be uncertain about their lease renewal plans. However, there is no correlation between the uncertainty of renewing their lease and the size or the industry of the company.

Percent Who Plan To Renew Lease



Smaller companies – those with no more than 25 employees – are more likely to renew their lease agreements at the end of their terms.

Plan to Renew Lease by *Company Size*	**Total**	**25 or fewer**	**26-50**	**51-100**	**100+**
Percent	42.6	**44.9**	37.7	34.7	40.3

Twenty percent of all companies will require more space when they renew. Only three percent will need less. One-third of larger companies (more than 50 employees) expect to need additional space when they renew. The need for more space appears to be greatest in the Southeast quadrant, where FIRE companies have above average representation.

Will Need More *Space by Geographic Quadrant*	**Total**	**NW**	**NE**	**SE**	**SW**
Percent	19.6	16.3	13.8	**26.4**	20.5

Not surprisingly, those companies that anticipate needing more space upon renewal are less likely to sublease any of their current space.

The expectation of needing more space is correlated with firms who predict a better fiscal year in 2003. Two-thirds of those requiring more space say the outlook for fiscal 2003 is better.

Will Need More Space by *Expectation about Fiscal 2002*	**Better**	**Worse**	**Same**
Percent	**65.9**	6.8	27.3

Of those who would not renew their leases at their current place of business, 65 percent would stay in Manhattan. However, 25 percent will leave New York City.

Areas Most Likely to Relocate	**Percent**
Below Chambers Street	25.0
Elsewhere in Manhattan	39.7
Other New York City boroughs	13.3
New Jersey	13.2
Westchester and LI suburbs	8.8
Other NYS/CT	3.0
Don't know/other	7.3

Incentives

The WTC Business Recovery Grants and the Liberty Zone Tax Credits and Tax Benefits were the most utilized programs. The Recovery Grants, for example, were well-known and about four out of ten companies received assistance. By contrast, fewer firms were aware of the Liberty Tax Credit (federal tax credit per employee) for businesses of less than 200 employees, but a larger proportion of companies will claim a tax credit than, for example, receive a WTC Retention Attraction Grant. (The last column below calculates the proportion of companies receiving assistance as a percent of those aware of the incentive.)

Type of Incentive	**% Companies Aware of Incentive**	**% Receiving Incentive (of Total Companies)**	**% Receiving Incentive as a % of Companies Aware**
WTC Business Recovery	78.0	38.3	**49.1**
WTC Retention and Attraction	59.6	8.3	14.0
Real Estate Tax and Commercial Rent Tax Abatement programs	55.7	9.2	16.5
Low Cost Power	31.7	3.4	10.8
Low Cost Financing	46.2	4.1	8.9
Liberty Tax Credit	39.5	13.6	**34.5**
Liberty Tax Benefit	34.9	11.9	**34.2**

Of those who received various incentives, the Retention and Attraction Grant was most likely to influence recipients' decisions to stay Downtown (47 percent). But the low incidence of claims (eight percent) minimized its overall impact. Thirty-two percent of Business Recovery Grants said the grant influenced their decision to remain Downtown. Among the other grants, financing or tax-credit programs, between 20 and 38 percent found them influential toward staying Downtown. "All these incentives are good, they help businesses but they are not the determining factors to influence businesses to stay Downtown."

Type of Incentive	*Percent Received*	**Helpful**			**Influenced to Remain Downtown**
		Very	**Somewhat**	**Not Very**	
WTC Business Recovery	38.3	37.3	49.3	12.4	*31.7*
WTC Retention and Attraction	8.3	38.8	34.7	22.5	**46.9**
Real Estate Tax and Commercial Rent Tax Abatement programs	9.2	29.6	50.0	20.4	31.5
Low Cost Power	3.4	35.0	45.0	15.0	25.0
Low Cost Financing	4.1	54.2	45.8	0.0	37.5
Liberty Tax Credit	13.6	31.3	50.0	18.8	25.0
Liberty Tax Benefit	11.9	31.4	42.9	25.7	20.0

Insurance

Most Downtown companies had insurance coverage prior to 9/11 in general, liability, and worker-related categories. Only one-half, however, had business interruption, and about two-thirds had casualty. Larger firms, unsurprisingly, were more likely to be covered in every category.

		# Of Employees Per Company			
Insurance Coverage *Prior 9/11*	**Total**	**25 or fewer**	**26-50**	**51-100**	**100+**
General	89.9	87.8	92.5	98.0	93.5
Liability	85.5	81.7	92.5	94.0	93.5
Disability	81.1	76.1	89.6	92.0	92.2
Casualty	69.2	62.3	79.1	84.0	85.7
Workers' compensation	84.2	80.4	89.6	94.0	92.2
Business interruption	**51.1**	39.9	61.2	72.0	85.7
Property damage	73.3	67.4	83.6	80.0	89.6
Equipment /machinery damage	65.1	57.8	74.6	74.0	88.3

Most companies who had prior coverage were able to continue coverage, typically over 95 percent of the cases. Regional differences now figure significantly. With the exception of disability insurance, insurance coverage in the NW quadrant lags in every category.

Insurance Coverage *Currently*	**Total**	**NW**	**SW**	**NE**	**SE**
General	85.0	74.3	85.7	87.1	88.1
Liability	82.4	74.3	75.9	85.8	87.2
Disability	79.2	76.2	74.1	78.7	83.6
Casualty	67.2	59.4	67.0	65.8	71.7
Workers' compensation	82.5	74.3	81.3	84.5	85.4
Business interruption	**49.2**	45.5	45.5	54.2	49.3
Property damage	69.9	65.3	69.6	71.6	70.8
Equipment /machinery damage	63.6	59.4	62.5	65.2	64.8

Across the nation and particularly in metropolitan areas, businesses have seen an increase in insurance premiums since 9/11 due to a greater appreciation among insurance companies of potential risk as well as a general downturn in the economy (and therefore less competition among insurance companies to issue policies). The Council of Insurance Agents and Brokers reports that 90-95 percent of American businesses have seen an increase in their insurance premiums since 9/11/01 and the average increase in price has been nearly 30 percent, with larger firms seeing both the greatest incidences of increases as well as the largest percentage increases.

Lower Manhattan is no exception. Among vast majority of Downtown firms that were able to continue coverage, more than four out of ten experienced an increase in their premiums. The larger companies had a much higher incidence of increases; apparently in consideration of the large losses some of these companies experienced post-9/11. In Business Interruption, for example, one-sixth – 16 percent – of firms with 25 or fewer employees had their premium increased. Over half – 52 percent – of companies with 100+ employees saw their business interruption premiums rise. "Yes we were able to renew or continue having coverage for all types of insurance, however, at a lower level of coverage, or not as much coverage as before."

Incidence of Premium *Increases (percent)**	Total	# Of Employees Per Company 25 or fewer	26-50	51-100	100+
General	46.5	35.4	38.8	54.0	51.9
Liability	46.3	33.3	43.3	46.0	53.2
Disability	31.2	18.8	31.3	34.0	42.9
Casualty	44.7	23.9	34.3	44.0	48.1
Workers' compensation	33.9	23.4	34.3	32.0	42.9
Business interruption	49.5	15.8	31.3	40.0	51.9
Property damage	48.8	28.0	35.8	44.0	57.1
Equipment /machinery damage	45.6	23.9	31.3	36.0	48.1

*Among those able to continue coverage

The range of premium increases, in about four out of five cases, was *up to half again as much*, which is comparable to nationwide statistics. Only 12 percent, overall, experienced an increase of *up to double,* while 4.5 percent indicated that the increase was *more than double.* The extent of premium increases did not vary significantly across types of insurance.

Extent of Premium Increase (percent)	**Total**	Gen	Liab	Dis	Cas	Wrks Comp	Bus Inter	Prop Dam	Equip
Up to Half as Much	**83.7**	85.1	81.8	85.1	83.7	84.3	84.8	82.1	83.6
Up to Double	**11.8**	11.0	13.6	12.8	12.2	10.1	10.9	12.3	10.9
More than Double	**4.5**	3.9	4.5	2.1	4.1	5.7	4.3	5.6	5.5

Generally, FIRE companies were at the high-end of the premium increases. For liability coverage, for example, 24 percent had more than 50 percent increase. The non-profit sector also experienced higher than average increases in all but Business Interruption coverage.

Geographically, the Northwest quadrant always experienced the most increases at higher levels. For Equipment/Machinery Damage, for example, 35 percent of the premiums in the Northwest increased more than 50 percent compared to 16 percent across all of Downtown.

Conclusion

The Downtown commercial sector has had a difficult year, with more than 60 percent of companies reporting worse revenues and one-third reporting layoffs. These struggles were due in part to September 11th but also due to the general economic downturn affecting New York City and the nation. Few companies, whether in Lower Manhattan, Midtown, or other business districts across the country fared well over the past year. As we move towards the close of 2002 there are signs that the economy is stabilizing and that the outlook for 2003 is brighter. However, there is no question that Lower Manhattan's commercial sector faces a challenging road ahead.

The terrorist attacks of September 11, 2001 took its toll – in human lives, physical destruction and economic disruption. More than 30 percent of the Class A office stock in the Downtown market was destroyed in the attacks, displacing more than 60,000 jobs (net). Some large employers have left. But Lower Manhattan remains – despite the devastation of September 11th -- the third largest business district in the country. It is the headquarters for a score of Fortune 500 and international companies. It has a world-famous and powerful brand name – Wall Street. The billions and billions of dollars of public and private dollars that have been invested over the past century in creating this international business center should now be the foundation to build an even greater commercial center of the future.

And, there is much good news on which to build. Despite everything that has happened in the past year -- between the events of September 11th and the downturn in the national economy -- this survey of Lower Manhattan's companies confirms what global giants like American Express and Merrill Lynch have already demonstrated: many have a positive outlook and there is a real opportunity to retain Downtown businesses. Companies now in Lower Manhattan have already recovered approximately 60 percent of the jobs lost to layoffs. A majority of companies surveyed think the worst has past and believe that fiscal year 2003 will be better than 2002. While a substantial percentage of Downtown companies plan to renew their leases upon expiration, a plurality have not yet made up their minds. Now is the time to secure the base, while making the necessary investments to assure expansion and attraction in the future.

What should be done? This survey makes it clear that the principle issues for current Downtown companies – especially larger ones – revolve around transportation, uncertainties about rebuilding and *Carryover from September 11* (which itself embraces issues like transportation and revitalization). Assuring Lower Manhattan companies that the public sector is committed to securing and enhancing Downtown's future as a world-class business center would go far toward convincing these firms to stay. Incorporating needed infrastructure – particularly transportation improvements such as commuter rail and direct access to the airports – into the rebuilding program now would address major business concerns. Assuring the capacity for future expansion by providing new Class A commercial space is also important. These measures would not only retain the current business base Downtown, but would also lay the foundation to attract new international businesses.

In an uncertain environment, predictability has tremendous value. But one thing is certain; stakes are high not only for Lower Manhattan, but also New York City and New York State: approximately 50 percent of the current Downtown companies that have taken new space since September 11th, 2001 leased it outside New York State. There are serious consequences for New York if Downtown companies decide not to renew their leases.

The path has been a rocky one and there are substantial challenges ahead, but it is also clear that major opportunities exist. Through a clear commitment to a world-class business district of the future and the investment of the necessary resources in infrastructure, Lower Manhattan will be able to utilize the competitive advantages that made it the financial capital of the world and build on the optimism and momentum Downtown businesses are already expressing.