

The Lower Manhattan Commercial Sector: *A Positive Outlook*



August 2004

Introduction

With many services and much of the infrastructure restored three years after September 11, 2001, the Alliance for Downtown New York retained Audience Research & Analysis (ARA) to update its annual Commercial Tenants Study in Lower Manhattan. The study was designed to assess the state of the commercial sector over the past 12 months with regard to:

- Employment and space needs
- Revenue performance and outlook
- Intention to renew leases and remain Downtown
- Challenges in hiring and retaining employees
- Demand for additional restaurants and other services

Executive Summary

A more positive outlook for Downtown coupled with improved revenues in the first half of 2004 and expectations for a better fiscal year in 2005 are paving the way for increased hiring and larger physical space requirements. More companies are willing to renew their leases compared to a year ago. Four times as many companies plan on new hiring as are planning to lay off workers. More firms expect space requirements to grow in the next 12 months rather than to diminish.

The percentage of companies taking additional space outside of Manhattan has stabilized at seven percent, although a greater proportion of those firms are taking additional space outside of New York City. One-fifth of non-Lower Manhattan clients continue to resist coming Downtown, often citing construction disruptions as well as the lack of yellow taxis.

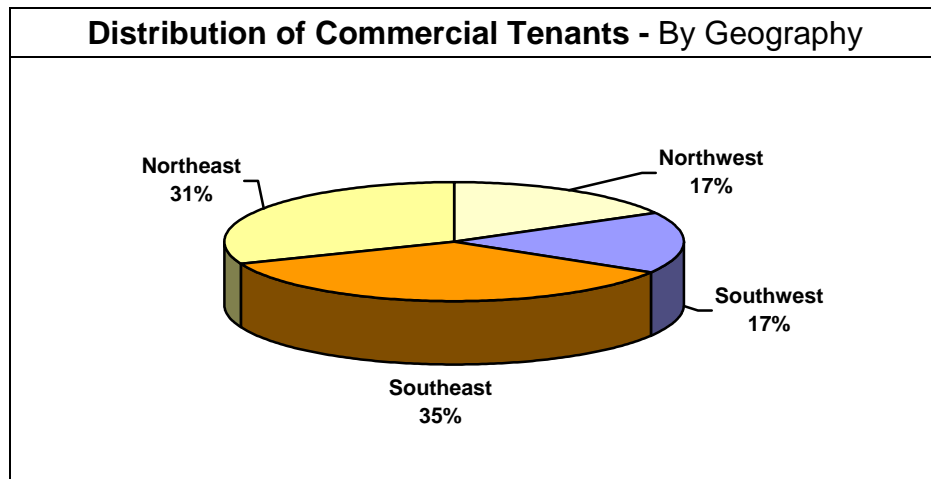
Most companies feel the need to be better informed about the redevelopment process and suggest more regular communication by mail and email about construction disruptions, WTC site development, and safety and transportation issues. Companies also cited construction disruption, concerns about air quality, and commuting time as issues making it harder for them to retain existing workers and to recruit new ones. Most companies support the installation of a Wireless Redundancy System to assure continuous service in the event of a land-line disruption.

One of the most important findings of the study is that more than 50 percent of companies will see their leases expire between now and 2008, during a period when there will be an enormous amount of construction activity in Lower Manhattan. The study found that 55 percent of companies whose leases expire by 2008 expect to renew their leases while 15 percent said they definitely would not renew at their current locations. Half of those not renewing at their current location still planned on staying Downtown.

The remaining 30 percent of companies with leases expiring between 2004 and 2008 are undecided. A major issue is that these location decisions will be made when construction activity will be at their peak in Lower Manhattan. It will require proper attention, mitigation and incentives to assure that companies that are currently undecided recommit to Lower Manhattan.

Sample Distribution

During May and June 2004, ARA conducted 600 interviews by telephone and in-person among senior executives in four geographic quadrants below Chambers Street. Broadway divides Downtown east and west, while Liberty Street separates north from south. The 600 companies were drawn from a list provided by the Alliance for Downtown New York.



To better understand trends in the state of Downtown businesses, ARA re-contacted 308 of the 600 companies that were interviewed in its 2003 study. To more accurately reflect the behavior and opinions of companies on a per-employee basis, we over-sampled Downtown's larger employers: 13 percent of the companies in this sample employed more than 100 people. 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. As shown below, the sample of commercial tenants in this study reflects the actual distribution of businesses in the five major industries in Lower Manhattan.

Distribution by Industry	Survey	Actual
Professional Services (accounting, legal, other)	35.3	36.6
FIRE (financial, insurance, real estate)	28.2	30.0
Trade & Support (wholesale, personal & medical service, other)	19.0	20.8
High-tech (telecom, software, e-commerce, other)	8.3	8.4
Non-profit	¹ 9.2	4.2

The margin of error for a sample size of 600 is ± 4 percent for a response of 35 percent or 65 percent, ± 3 percent for a response of 15 percent or 85 percent, and ± 2 percent for a response of 8 or 92 percent.

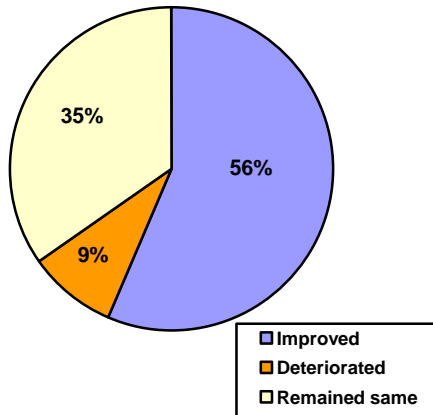
¹ Non-profits were over-sampled to provide sufficient sample size.

Detailed Findings

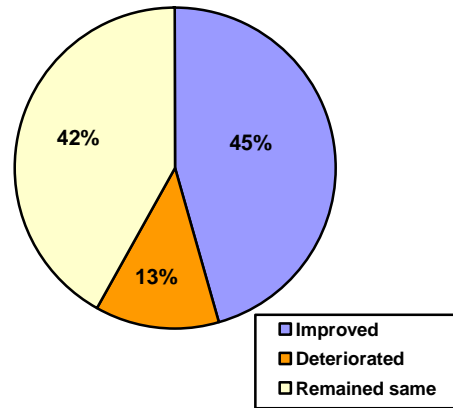
Change in Outlook for Lower Manhattan

Over the last six months, 56 percent of the companies felt that the overall outlook for the future in Lower Manhattan had improved, while only nine percent reported it had deteriorated. Both figures were more optimistic than last year. The sense of things getting better was most widespread among companies with more than 100 employees.

Change in Outlook
Compared to six months ago
2004



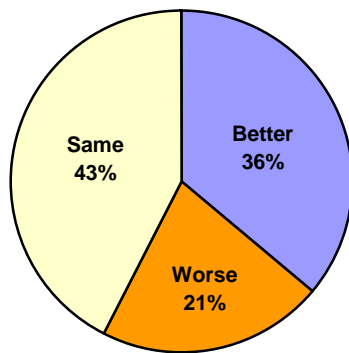
Change in Outlook
Compared to six months ago
2003



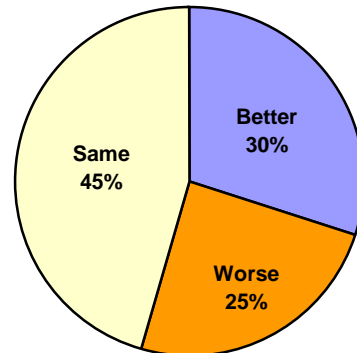
Revenues

Thirty-six percent of the companies reported that their revenues over the first two quarters in 2004 were better than the same period a year earlier.

Revenues Over First Two Quarters
Compared to the same period last year 2004



Revenues Over Most Recent Two Quarters
Compared to the same period last year 2003



The positive trend in revenues was apparent across most industries. High-tech led the rebound followed by Trade & Support. Both industries reported a significant improvement in their revenues. Among companies with better revenues in 2004, the average improvement was 20 percent.

2004 Change in Revenues by Industry Percent	Total		Prof. Services		FIRE		High-tech		Non-profit		Trade/Support	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Better	36.2	30.0	29.2	29.0	41.0	38.6	60.0	35.3	14.5	13.0	42.1	24.4
Worse	21.3	24.5	20.8	18.0	21.1	18.2	18.0	35.3	12.7	24.1	28.1	39.8
About the same	42.5	45.5	50.0	53.0	38.0	43.2	22.0	29.4	72.7	63.0	29.8	35.8

Companies with 100 or more employees showed the most improvement with one-half reporting better revenues. In 2003, 43 percent of the larger companies had reported higher revenues.

2004 Change in Revenues by Number of Employees Percent	25 or fewer	26 – 50	51 – 100	More than 100
Better	34.0	35.3	32.7	50.6
Worse	24.5	20.6	13.5	10.4
About the same	41.5	44.1	53.8	39.0
Average Improvement (percentage)	19.0	20.7	30.2	20.6

Attribution of Better Revenues

Companies that reported improved revenues were likely to credit their own efforts. While there were often several reasons cited, a majority of the companies attributed the improvement to an *increase in their own revenues/sales, improvement in their particular industry, and an upswing in the U.S. economy*. Larger companies were the most apt to say the improvement stemmed from *their particular industries*.

Attribute Better Revenues (multiple response) Percent	Total	Prof. Services	FIRE	High- tech	Non- profit	Trade/ Support
Company's revenues/sales have increased	58.3	58.1	55.9	76.7	25.0	56.3
Our particular industry is improving	54.2	37.1	60.3	66.7	62.5	58.3
The U.S. economy is on the upswing	52.8	35.5	55.9	83.3	37.5	54.2
The New York economy is improving	43.5	40.3	39.7	66.7	62.5	35.4
We have improved our company's profit margin by cost-cutting	29.6	21.0	29.4	50.0	25.0	29.2
Business in Lower Manhattan has turned the corner	22.2	14.5	29.4	23.3	12.5	22.9
More demand for goods and services from other countries	15.3	6.5	11.8	30.0	12.5	22.9

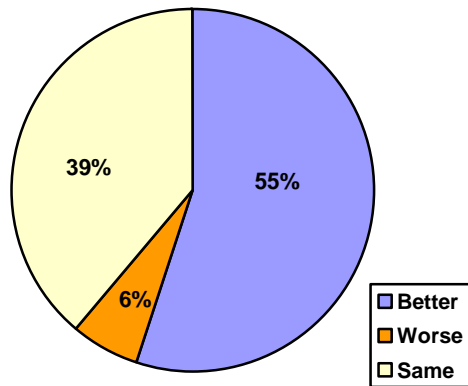
Sources of Revenues

Seventy-five percent of Downtown companies sourced at least some of their revenues from other firms located in Lower Manhattan accounting for 33 percent of their revenues.

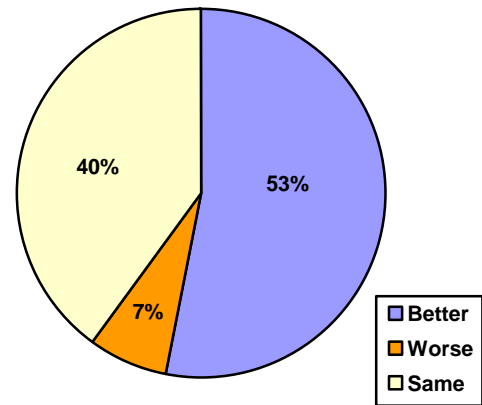
Outlook for Fiscal 2005

Similar to last year, more than half of the companies believed that the next fiscal year would be better, while only six percent thought next year would be worse.

**Outlook for Fiscal 2005
Compared to 2004**



**Outlook for Fiscal 2004
Compared to 2003**



Also similar to last year, High-tech and FIRE companies were bullish on the growth of revenues. High-tech firms appear even more optimistic this year, while FIRE companies reported a slight downward revision from last year.

Expectations for Fiscal 2005 Percent	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
Better	50.0	56.2	78.0	47.3	54.4
Worse	5.7	6.5	2.0	1.8	8.8
About the same	44.3	37.3	20.0	50.9	36.8

None of the companies with more than 100 employees anticipated a decline in revenues in fiscal 2005. The expectations of re-contacted companies paralleled the total sample, implying that the optimistic trend was industry-wide.

Expectations for Fiscal 2005 Percent	Total	25 or fewer	26 – 50	51 – 100	More than 100	Re-contacts
Better	54.7	52.8	60.9	50.9	61.5	53.6
Worse	5.8	7.3	2.9	7.5	0.0	5.8
About the same	39.5	40.0	36.2	41.5	38.5	40.6

Location and Office Space

Similar to the 2003 findings, the vast majority of companies, 81 percent, were headquartered in Lower Manhattan and 15 percent were branch offices. Subsidiaries and divisions each constituted 2 percent. The Northwest quadrant had the highest proportion (88 percent) of headquarters, same as last year.

Virtually all companies (99 percent) had been operating in Lower Manhattan prior to 12 months ago. A few reported operating for more than 100 years. Among companies with multiple locations, the average number dropped slightly.

The amount of area each firm occupied at all of its Downtown locations averaged 33,900 square feet. Thirteen percent of the companies reported a change in the physical size of their offices, their average square footage revealing a slight decrease from 12 months ago.

While 78 percent of companies expected no change in the amount of space they would require in the next 12 months, 14 percent said they would require more. Companies with a greater number of employees were the most likely to need more space. Only eight percent indicated they would need less space in the near future.

Space Requirements in the Next 12 Months by Number of Employees Percent	Total	25 or fewer	26 – 50	51 – 100	More than 100
About the Same	77.7	79.0	89.9	73.6	62.8
More	14.3	12.3	10.1	20.8	24.4
Less	8.0	8.8	0.0	5.7	12.8

The proportion of companies taking additional space outside of Lower Manhattan remained the same as last year.

Companies Who Took New Space Outside of LM by Number of Employees Percent	Total	25 or fewer	26 – 50	51 – 100	More than 100
2004	7.5	4.5	7.2	11.3	20.5
2003	7.1	2.1	17.6	12.3	17.9

Of the companies that took additional space outside of Lower Manhattan, 73 percent took space outside of New York City of which 47 percent took space outside of the tri-state region. Companies with more than 50 or more employees – especially those in the FIRE sector – were more inclined to take space outside of the tri-state area.

Location of New Space (Multiple responses)	Percent	2004	2003
Elsewhere in Manhattan		15.6	16.3
Other New York City		11.1	16.3
Long Island		11.1	9.3
Westchester/Rockland		4.4	7.0
Other New York State		4.4	4.7
New Jersey	73%	15.6	23.3
Connecticut		2.2	0.0
Outside Tri-state region		46.7	30.2

Compared to last year, the importance of *employee preference* declined as a reason to take space outside of Lower Manhattan, replaced this year by the desire to *relocate back-offices to other areas*. Among FIRE companies, *growth/expansion* ranked highest as a reason for taking new space.

Main Reason for Taking New Space Outside of Lower Manhattan (Multiple responses)	Percent	2004	2003
Relocate back-office to other area		22.2	14.0
Put critical information on different power/telecom grid		17.8	11.6
Employee preference		*17.8	23.3
Decentralize essential workforce		13.3	11.6
Client unwillingness to travel Downtown		8.9	7.0
Construction disruption		4.4	2.3
Growth/expansion		22.2	
To better serve a specific market		15.6	**55.8
Other		24.4	

* Easier commute, concerns about personal safety, air quality, being in Lower Manhattan

** Constituted "other" in 2003 study

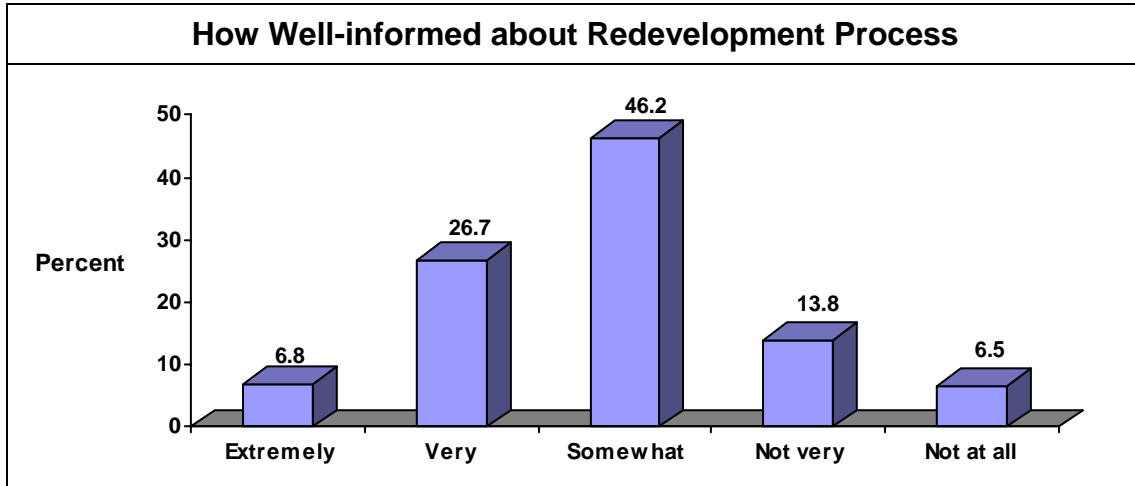
Resistance to Visits by non-Lower Manhattan Clients

Twenty percent of companies experienced resistance from non-Lower Manhattan clients to visit their office Downtown – the same proportion as last year. Trade & Support, once again, reported the highest incidence of client resistance (28 percent). FIRE companies experienced increased resistance from 12 percent (lowest among Lower Manhattan industries in 2003) to 20 percent.

Sixty-five percent mentioned *construction disruption* as a factor that inhibited clients coming Downtown. Thirty-seven percent believed that *greater availability of yellow taxis* would improve the situation while 30 percent cited *more restaurant choices*.

Sources of Information

Only 34 percent of companies felt well informed (*extremely, very*) about the redevelopment process in Lower Manhattan.



Construction interruptions topped the list of multiple concerns.

Areas in which More Information was Needed (Multiple responses)	Percent
Construction interruptions	54.8
WTC site redevelopment	47.2
Safety issues	43.8
Transportation improvements	42.2
Other	1.2

Newsletters – both via email and U.S. Postal Service – were the preferred ways companies asked for increased communication.

Best Way to Communicate Information (Multiple responses)	Percent
Newsletter in the mail	55.7
E-mail newsletter (from the Alliance)	54.1
More stories in the press	43.6
From the Alliance for Downtown New York website	35.5
“Business town meetings” in Lower Manhattan	18.0
Other	1.5

Leases

Unchanged from last year, 81 percent leased their space while 10 percent owned it and nine percent subleased. The highest incidence of ownership was among companies in the FIRE sector (21 percent).

Forty-eight percent signed their current leases after September 2001.

Fifty-five percent of companies face lease expiration by the end of 2008, including 11 percent expiring this year. This time frame corresponds to the peak construction period in the re-building of Lower Manhattan. Leases expire at higher rates for High-tech and Trade & Support companies as well as for companies located in the Northwest quadrant.

Lease Expiration Percent	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
2004*	11.4	9.8	9.8	10.2	9.6	18.0
2005 – 2008	43.6	46.1	39.0	57.2	28.8	46.0
2009 – 2010	14.3	18.6	14.3	4.1	9.6	13.0
2011 – 2015	14.9	13.7	18.8	12.2	23.2	9.0
2016 or later	2.0	2.0	0.8	2.0	1.9	4.0
Don't know/refused	13.7	9.8	17.3	14.3	26.9	10.0

*Includes one company whose lease had already ended in 2003

The study revealed that more companies (55 percent) were planning to renew their leases. Fewer companies were uncertain about their plans as well. And while the intention to renew was lowest in the Northwest quadrant, it still exceeded last year's 40 percent.

Lease Renewal – Leases Expiring by end of 2008 Percent	Total 2004	Total 2003	NW	SW	NE	SE
Yes	55.1	47.8	44.6	69.0	58.0	52.0
No	15.2	19.2	21.4	9.5	12.0	17.3
Don't know	29.7	33.0	33.9	21.4	30.0	30.6

The *convenience of the Downtown location for employees* was the reason given most often among companies renewing their leases, especially in the Eastern quadrants. *Having a good rent deal* followed, also more frequently mentioned in Eastern locations. The desire to be *located in the financial center of the world* had the greatest resonance in the Southeast quadrant.

Reasons for Renewing Lease (Multiple responses)	Total	NW	SW	NE	SE
Percent					
Downtown Location is convenient for employees	58.3	44.0	48.3	67.2	60.8
Have a good rent deal	49.1	36.0	37.9	58.6	51.0
Want to be located in the financial center of the world	44.1	28.0	41.4	37.4	60.8
Client base is located here	35.0	36.0	58.6	27.6	29.4
The cost of moving is prohibitive	33.7	28.0	24.1	36.2	39.2
Want to be here to benefit from the rebuilding process	28.2	12.0	20.7	29.3	39.2
Other	4.9	12.0	0.0	3.4	5.9

Among companies who said “no” or “don’t know” to the question on planning to renew, the major issues were *cost* and *concern about disruption from construction*.

Reasons for Not Renewing Lease (Multiple responses)	Percent
Cost	22.6
Concerns about disruption from construction projects	19.5
The subway commute time	9.0
Business is poor	6.8
Lack of regional rail access	6.0
Not enough bars and restaurants	6.0
Landlord won’t renew	6.0
Not enough quality retail stores	5.3
Need more space	5.3
Moving	5.3
No direct airport access	4.5
Concerns about safety	3.8
Not happy with building management	3.0
Other	16.6

It is worth noting that among companies that did not plan on renewing, 31 percent had experienced resistance from non-Lower Manhattan clients to visit their office in Downtown compared to only 18 percent among those firms planning to renew.

Nearly one-half of those who would not renew their lease at their present location would, nonetheless, relocate *below Chambers Street*. Of companies not planning to renew, 24 percent would leave New York City. Similar to last year, approximately four percent of all companies whose leases expire by 2008 intend to leave New York City altogether when their leases expire which will impact employment and tax revenues for the whole City.

Areas Most Likely to Relocate (Multiple responses)	2004	2003
Stay below Chambers Street	48.9	42.6
Elsewhere in Manhattan	26.7	23.4
Brooklyn	4.4	12.7
Other New York City	4.4	
New Jersey	2.2	12.8
Long Island	6.7	2.1
Westchester	6.7	2.1
Connecticut	4.4	0.0
Other	4.4	6.4

24%

Twice as many companies as last year who are planning to renew will require more space.

Will Require More Space (Companies Planning to Renew)	Total	NW	SW	NE	SE
Percent	2004				
2004	22.7	12.0	24.1	24.1	25.5
2003	12.0	10.5	8.0	0.0	30.3

Wireless Redundancy System for Lower Manhattan

Seventy-seven percent of companies said they might be interested in a Wireless Redundancy System for Lower Manhattan². Interest was higher among Professional Services, FIRE, and High-tech companies.

Interest in Wireless Redundancy System	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
Percent	77.0	80.7	79.9	82.0	67.3	68.4

Thirty percent thought that the existence of such a system would make them more inclined to renew their lease. As above, high-tech companies saw the greatest value in the wireless system.

² Subscription to a low-cost, secure, wireless telecommunications solution that assures continuous service if there is a disruption to land-base lines

Interest in Wireless Redundancy System	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
Percent	30.1	31.4	27.8	46.9	23.1	26.0

Employment

FIRE companies had the highest mean number of employees, on average, followed by non-profits. Both sectors had relatively large proportions of companies with more than 50 employees. Trade & Support and Professional Services companies were the most likely to employ fewer than ten employees.

Number of Employees by Industry Percent	Total	Prof. Services	FIRE	High-tech	Non- profit	Trade/ Support
1 to 10	45.3	58.0	29.0	32.0	34.5	57.0
11 to 25	21.4	18.4	23.7	40.0	7.3	21.9
26 to 50	11.5	9.9	13.6	12.0	18.2	7.9
51 to 100	6.8	6.2	11.8	6.0	21.8	4.4
100 to 600	11.3	4.7	15.4	8.0	10.9	8.8
More than 600	3.7	2.8	6.5	2.0	7.3	0.0
Mean	128.1	67.8	276.3	44.8	175.1	34.5

Over the last 12 months, more companies³ increased the size of their workforce than decreased it by an overall ratio of three to two. Not every industry exhibited this trend, however; more Trade & Support firms decreased their number of employees last year. High-tech firms were the least stable employers with fewer than half maintaining the same workforce. High-tech companies are the most likely to anticipate new hiring in the next six months.

Changed Number of Employees Percent	Total	Prof. Services	FIRE	High- tech	Non- profit	Trade/ Support
Increased	25.8	27.4	27.7	26.0	32.7	16.7
Decreased	17.1	14.1	16.3	26.0	18.2	19.3
Stayed the same	57.1	58.5	56.0	48.0	49.1	64.0

Expanding companies added an average of 20.7 employees in the last 12 months. Of the additional employees, 70 percent were new to the company and 30 percent were relocated from other locations.

COMPANIES THAT INCREASED THEIR NUMBER OF EMPLOYEES IN LAST 12 MONTHS

Mean Number of New Employees	Total	Prof. Services	FIRE	High- tech	Non- profit	Trade/ Support
	20.7	20.3	26.4	6.5	31.9	7.1

³ Among those that were operating Downtown prior to July 1, 2003

Contracting companies reduced their workforces by an average of 28 employees. Just more than half – 54 percent – were reassigned to locations outside of Lower Manhattan⁴ while 46 percent were laid-off. Of those laid-off, 35 percent were support staff.

COMPANIES THAT DECREASED THEIR NUMBER OF EMPLOYEES IN LAST 12 MONTHS

Mean Number of Fewer Employees	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
	28.0	3.1	89.7	5.6	12.1	5.6

Overall, the number of employees added to workforces exceeded those laid-off or reassigned by 12 percent.

Plans for the Future

While the majority of companies anticipated keeping the size of their workforce stable over the next six months, four times as many planned on new hiring as opposed to layoffs. Almost half of High-tech companies planned on adding staff.

Workforce Plans Next Six Months by Industry Percent	Total	Prof. Services	FIRE	High-tech	Non-profit	Trade/Support
Layoffs	5.8	4.2	6.5	0.0	5.4	10.5
New hiring	23.6	20.8	23.7	46.0	27.3	17.6
Remain stable	70.5	75.0	69.8	54.0	67.3	71.9

The intention to hire new employees was directly correlated with company size.

Workforce Plans Next Six Months by Company Size Percent	Total	Up to 25	26-50	51-100	More than 100
Layoffs	5.9	7.0	5.8	1.9	2.6
New hiring	23.6	19.5	23.2	28.3	42.3
Remain stable	70.5	73.5	71.0	69.8	55.1

⁴ All but two percent of the reassigned employees were part of the Bank of New York's relocation of 1,500 employees to Brooklyn, effective June 2004 but agreed to with the City of New York after September 2001.

Issues in Retaining or Recruiting Employees

Respondents were asked whether the following issues or perceptions made it harder for their firm to retain existing or recruit new employees. Offering multiple answers, about three out of ten, each, cited *construction disruption, concerns about air quality, and commuting time*.

Transportation issues, including *commuting time, finding yellow taxis, and getting black car service* were mentioned more frequently in the Southeast quadrant.

Issues and Perceptions Making it Harder to Retain and Recruit Employees Percent	Total	NW	SW	NE	SE
Construction disruption	29.3	29.4	26.0	30.5	29.9
Concerns about air quality	29.0	30.4	32.0	29.4	26.5
Commuting time	27.7	20.6	33.0	20.9	34.6
Security/personal safety	21.5	15.7	19.0	18.2	28.4
Finding yellow taxis	16.7	13.7	13.0	16.0	20.4
Lack of restaurants, stores	10.7	8.8	12.0	9.1	12.3
Getting black car service	6.2	3.9	5.0	5.9	8.1
Other*	6.2	4.9	4.0	9.6	4.7
Said "no" to all above	38.5	42.2	41.0	32.7	38.8

* Lack of business, transportation (buses), high cost of living, no U.S. Customs Service

Commuting time, security/personal safety, and lack of restaurants and stores were surveyed in 2003 and 2002 as well as in 2004. All three issues have trended down as reasons employers had difficulty retaining and recruiting employees.

Employment Issues Percent	2004	2003	2002
Commuting time	27.7	33.9	46.0
Security/Personal Safety	21.5	20.0	33.2
Lack of restaurants, stores	10.7	13.1	17.2

Types of Restaurants Suggested in Lower Manhattan

Respondents were asked to rate, on a ten-point scale, how interested they would be in having more of the following types of restaurants located in Lower Manhattan. A *relaxed atmosphere with quality food and friendly service* scored highest with a mean rating of 7.1. Both *fine dining* and *ethnic restaurants* received an average rating of 6.1, although the results for fine dining were more polarized, with one out of five rating fine dining a “10” while one out of seven gave it only a “1”.

Interest in Types of Restaurants for Lower Manhattan	Least	Percent									Most	Mean Score
	1	2	3	4	5	6	7	8	9	10		
Relaxed atmosphere with quality food and service	8.9	0.3	1.2	3.3	12.5	6.4	14.2	20.7	8.0	24.4	7.1	
Affordable ethnic restaurant	11.2	2.2	3.3	4.8	21.4	8.7	14.4	13.9	5.5	14.5	6.1	
Fine dining with a high level of service and good wine list	14.0	3.2	4.3	4.3	17.1	8.9	11.5	13.5	3.5	19.6	6.1	
Lively setting with a good bar scene	17.4	4.5	6.4	4.8	20.2	8.4	9.0	11.9	2.7	14.7	5.5	
Celebrity chef restaurant with chic clientele	28.3	9.5	8.4	9.0	18.9	5.0	6.5	5.7	1.2	7.5	4.1	

Those who rated each category an “8” or higher (between 14 and 34 percent of the sample depending on the category) were asked to name one restaurant that they would like to see located in Lower Manhattan.

Steakhouses were popular especially in the *fine dining* category (e.g., Smith & Wollensky, Ruth Christ’s and Peter Lugar’s). Daniel and Jean Georges also received a couple of mentions. Among restaurants with a *relaxed atmosphere and quality food*, Carmine’s and the Union Square Café [] topped the list, which also included steakhouses such as Peter Lugar’s, Angelo and Maxi’s, as well as the less upscale Olives and Outback. Some respondents, rather than name restaurants, specified a type of food. Italian received the most mentions, by far, followed by Mexican.

In the *ethnic restaurant* category, Chinese was number one, followed, in order, by Mexican, Kosher], and Italian. Other types of ethnic food receiving several mentions included Spanish, Japanese, Thai, Indian and Middle Eastern. Mary Ann’s, a casual Mexican restaurant with six locations in Manhattan, received multiple mentions.

Jean Georges and Nobu received multiple mentions in the *Celebrity Chef/Chic Clientele* category. Tao and Union Square Café were mentioned twice as places with a *lively setting and good bar scene*. Those mentioning only types of food specified Italian and Mexican most often.

Conclusion

Lower Manhattan is rebounding from the most challenging time any business district has ever faced. Certainly, this survey of Downtown commercial businesses is significantly more upbeat than the results of our 2002 and 2003 surveys.

Downtown companies see the overall economy as improving. All things being equal, we can expect to see natural growth in the Lower Manhattan workforce over the coming years. Companies report that many aspects of their business are on the upswing, including outlook for the future, revenues and hiring. Companies are also more likely to take more space Downtown than reduce the amount of space they have – especially larger companies. Despite the optimistic projections, ongoing consolidation in the banking industry may well have an impact, although this is beyond the scope of this report.

An additional positive sign is that confidence in the rebuilding of Lower Manhattan seems to be growing. In the 2003 survey, concerns about rebuilding was the most often cited reason companies gave for not renewing, or being uncertain about renewing, their leases. Now among the top concerns is the impact of construction – in one sense, a reflection that there is now confidence that the rebuilding process is proceeding apace.

Nevertheless, some companies are not renewing their leases. Particularly worrisome is that among those companies that don't renew, about a quarter will not move to an alternate New York location, but will leave the city altogether. This is virtually the same percentage as revealed in our 2003 survey. Therefore, non-renewals of leases in Lower Manhattan are not a zero sum game. The best opportunity to keep these companies in New York is to increase the likelihood that they will renew Downtown. Moreover, the factors that lead some companies not to renew their leases in Lower Manhattan can be, for the most part, positively influenced by public policy. The three major reasons for non-renewals are cost of space, construction impacts and transportation related issues (including subway commute time, lack of regional rail access and lack of airport access). Concerted public action can ameliorate all of these concerns and, therefore, positively affect the number of companies renewing leases Downtown and, consequently, remaining within the city.

Fortunately, all three of these issues – cost, mitigation of construction impacts and transportation – are centerpieces of the rebuilding effort.