



***Lower Manhattan Residential Community:
Growth and Strength After September 11th***

Alliance for Downtown New York

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Hamilton, Rabinovitz & Alschuler, Inc.

Global Strategy Group

Introduction

In order to develop a more accurate picture and to better understand the demographics and needs of Lower Manhattan residents (whether residing in Battery Park City or residential conversion buildings), the Alliance for Downtown New York decided to undertake the most comprehensive survey to date of the post-9/11 Downtown residential community. This survey had two primary goals:

1. To provide the most comprehensive examination of Lower Manhattan residents to date.
2. To compare the established residents of Lower Manhattan to those who moved to the area in the year since September 11, 2001.

Hamilton, Rabinovitz & Alschuler, Inc. (HR&A) and Global Strategies, Inc. (GSI) were commissioned to conduct this study. This survey is a continuation of HR&A's previous analyses of the Downtown residential market "The Making of A New Community" (1998) and "A Community Comes of Age" (January 2001).

Executive Summary

In the summer of 2001, the residential community in Lower Manhattan was thriving. It was the fastest growing neighborhood in Manhattan, occupancy rates were approximately 95 percent and there were optimistic expectations for the future. September 11, 2001 changed everything. Almost all of the residents Downtown were forced to leave their apartments for at least some period of time and some never returned. It was unclear when, how - or, even, if - the Downtown residential community would recover. Few predicted that by September 11, 2002, the residential community in Lower Manhattan would be one of the biggest early success stories in the revitalization of Downtown.

Residential occupancy rates in Lower Manhattan are back up to the 95 percent pre-September 11th level. What is most significant is the number of new residents that have already moved Downtown thanks to the intrinsic strengths of the Lower Manhattan market and to the residential incentives implemented by the Lower Manhattan Development Corporation (LMDC). To a significantly greater extent than the commercial and retail sector, the residential market has recovered from the devastation of September 11th with residents expressing strong commitment to their community.

The survey found that, in general, Downtown residents, both established and new, are committed to living in Lower Manhattan despite the fact that they express frustration at the lack of amenities available to them.

Residents are more optimistic than ever about the future of their neighborhood and are more likely to remain in Lower Manhattan. A remarkable 80 percent of respondents, regardless of when they moved to the area, expect to be living in Lower Manhattan in three years, while 66 percent expect to be living Downtown in five years. Furthermore, more residents than ever report that Lower Manhattan was their first choice of location, not an economic compromise.

Shopping and Dining are not meeting residents' needs. Sixty percent of residents report that Downtown shopping does not meet their expectations and the same percentage are either "Very" or "Somewhat Dissatisfied" with the selection and quality of shops. Residents are almost evenly satisfied and dissatisfied with Lower Manhattan restaurants. *However, despite almost half of all residents reporting dissatisfaction with restaurants Downtown, 80 percent eat out or take out at least once per week and 46 percent eat out or take out three or more times per week.*

Residents live in Lower Manhattan for the Quality of Life. Eighty percent of residents reported that the *Overall Quality of Life* Downtown is a "Very Important" reason to live in Lower Manhattan. Other "Very Important" reasons as rated by respondents include *Quality of Apartment* (72 percent), *Safety/Security* (72 percent), *Neighborhood "feel"* (64 percent), *Affordability* (60 percent), and *Waterfront* (60 percent).

Employment for Lower Manhattan residents is diversifying. Lower Manhattan residents work in a diverse array of industries though they are very strongly connected to the Lower Manhattan commercial office market. Forty percent work in Lower Manhattan buildings or at home. Ninety percent work in Manhattan. While financial and business services continue to be most important, residents are also employed in several other industries including media, high-tech and healthcare.

Market Context

A Community Comes of Age

The Downtown residential market has grown at a pace that is unparalleled in Manhattan history. Since 1995 there has been a dramatic increase in the number of residential units in Lower Manhattan with almost 9,500 new units coming online in 7 years. This housing expansion has driven the 66 percent increase in the Downtown population since 1990.

A new neighborhood is emerging that runs from river to river. The new population growth was distributed across all areas of Lower Manhattan. From 1990-2000, Battery Park City's population increased by 43 percent or approximately 2,400 people. The parks, high quality buildings, views and other amenities continued to be a strong attraction. The remainder of Downtown saw an increase of more than 6,700 people or approximately 81.5 percent.

During the 1990's, the neighborhood's growth far outpaced growth of population and housing units for Manhattan as a whole. The population of the entire borough of Manhattan grew by 3.3 percent during this ten-year period. During the same period, there was a net increase of only 1.6 percent in total housing units borough-wide, for a total increase of 13,017. *Therefore, Lower Manhattan accounted for nearly 22 percent of the total growth in new housing units in all of Manhattan over this ten-year period.* Downtown's growth is all the more remarkable as most of it occurred only in the later half of the decade.

Community Uprooted

No community in the nation has ever experienced the devastation inflicted in a single day on Lower Manhattan. In the weeks following September 11, 2001, virtually all residents of Lower Manhattan were forced to leave their homes for some period of time. The area was subject to a variety of access restrictions, safety concerns and reconstruction efforts for months following the attacks. A large number of residents did not return to their homes, leaving a vacancy rate that was reported at 25 percent for the district as a whole, and much higher for some residential buildings by the end of 2001.

Property owners, the city, state and federal governments, aggressively sought to restore occupancy. In February, as part of a multi-faceted effort to re-invigorate Downtown, the Lower Manhattan Development Corporation announced a significant package of residential incentives, funded by the U.S. Department of Housing and Urban Development (HUD), designed to both retain existing residents and attract new ones. These incentives, publicized for several months and finalized on August 15, 2002 provide individual grants that could total as much as \$14,500. At the same time, rents across the neighborhood fell sharply; in some cases 20 percent to 25 percent below pre-September 2001 levels. In addition, building owners and the Battery Park City Authority offered concessions of free rent or renegotiated leases to retain and attract tenants.

Conversations with owners confirm the results of a survey from the New York Times released on August 20, 2002, which showed that vacancy rates in the area surrounding the World Trade Center site have now fallen sharply to below 5 percent. Anecdotal evidence gathered from newspaper reports and conversations with residential owners in the Financial District shows that residential occupancy rates in this district have also recovered to approximately pre-September 11th levels. The sales market has also been very strong. The Real Estate Board of New York cites a 7 percent increase in per square foot costs for condominiums in Battery Park City from the first quarter of 2001 to the first quarter of 2002. This increase is especially noteworthy considering both the general economic downturn and the devastation of September 11th.

Insight from Industry Professionals

HR & A spoke with a number of key lenders, developers, and public officials regarding the current status and outlook for the Lower Manhattan residential market moving forward. As with the residents themselves, real estate industry professionals are generally positive about the future of Lower Manhattan, and while they believe it is still in a period of flux, they are also positive about the prospects for further residential development.

The industry professionals that HR & A talked to include those who are currently active in either the development or financing of at least one significant housing project below Chambers Street. All reported that there was nothing in recent or projected market performance that made them unwilling to engage in further projects. This is another indication that Lower Manhattan residential development is still attractive to developers and lenders.

Developers, like residents, believe there is a need for more neighborhood services. Developer's share resident's desire to see Lower Manhattan become a full-service 24

hour neighborhood. They also share the view that basic neighborhood retail and restaurant services as key components of the Downtown economy have yet to be fully realized. For example, a developer active in Battery Park City stressed that the loss of the retail space within the World Trade Center left a significant gap in neighborhood services. While the World Trade Center retail mall was geared toward the daytime population, it was being used increasingly by tourists and residents.

Both developers and lenders believe that the target population continues to be the same younger, wealthier singles and couples who were attracted to Downtown in the 1990s. One of the fundamental strengths that several real estate professionals noted was this target market continues to show interest in a Downtown location, and even a preference for Downtown over other locations.

All of the real estate professionals agreed that the critical mass of housing Downtown had not yet been reached, though they differed about how far off it is. Some respondents cited the possibility that as few as 2,000 new units of housing could be added to Lower Manhattan over the long term in order for the area to reach the “critical mass” necessary to attract full-scale services. Other respondents felt the number could be substantially higher. While they varied widely on the figure, all respondents believed that additional housing units were the key to the attraction of vital residential services many residents feel are lacking.

Survey Methodology

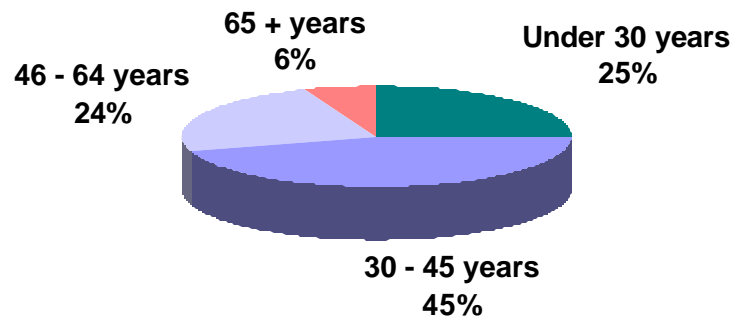
Working with local property owners as well as from mailing lists and other data sources, a list of representative buildings to be surveyed was established. The buildings had to be in Lower Manhattan, which was defined as south of Chambers Street. In July and August of 2002, the survey was mailed to all apartments within each building selected. Each survey was followed by a reminder post card. Approximately 3,500 surveys were mailed. ADNY received 1,030 responses, for a response rate of approximately 30 percent – a high rate of response.

Detailed Findings

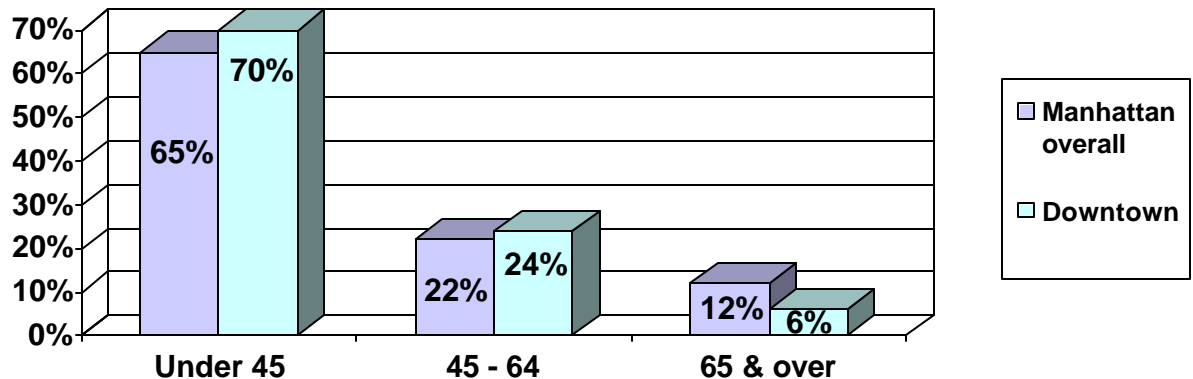
To gain an understanding of all Lower Manhattan residents, it is important to first look at their demographics. A typical Lower Manhattan resident is under 45 years old, living with at least one other person, often described as part of a couple or family, and living with no children. They earn an average yearly income over \$90,000.

While the respondents were equally male and female, 70 percent were 45 years or younger with 45 percent between 30 – 45 years and 25 percent under 30 years. By way of comparison, the 2000 census reports that for Manhattan as a whole, 38 percent are under 30 and 65 percent are under 45.

Age of Downtown Respondents



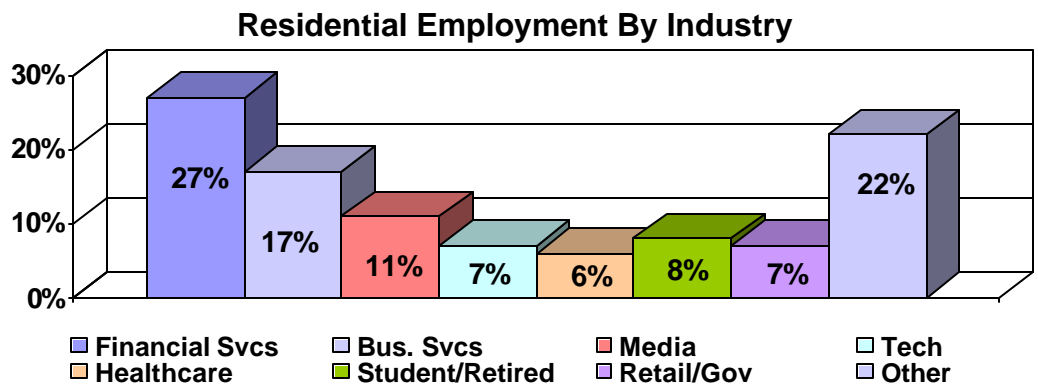
Age: Downtown vs. Manhattan Overall



Almost two-thirds of respondents live with at least one other person in their apartment with 54 percent describing themselves as part of a couple or family. Thirteen percent currently live with at least one child under the age of 18. For 2002, 76 percent approximate their total household income as \$91,000 or more. By comparison, the median household income for all of Manhattan is \$47,030 according to the 2000 census.

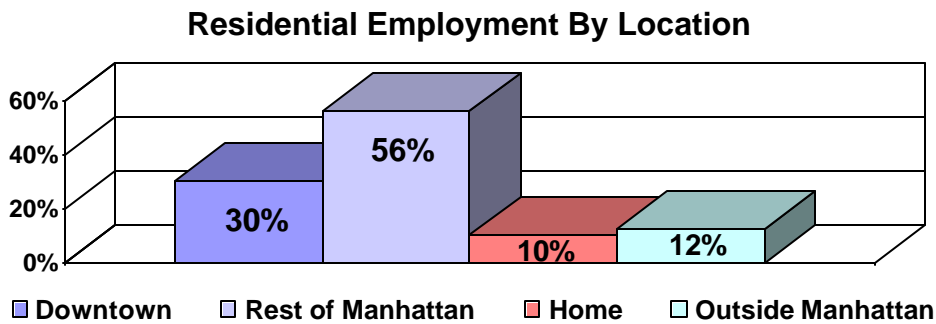
Employment

Twenty-seven percent of respondents work in the financial services industry while 17 percent work in business services such as accounting, legal and consulting. Eleven percent work in media (advertising, publishing or broadcasting), 7 percent work in the high-tech sector and 6 percent are in health care.



Percentages do not add up to 100 because respondents answered more than once to the question and all answers were included.

Forty-percent of residents either work in Lower Manhattan or in their home. Fifty-seven percent work south of 23rd Street and approximately 9 out of 10 work in Manhattan.



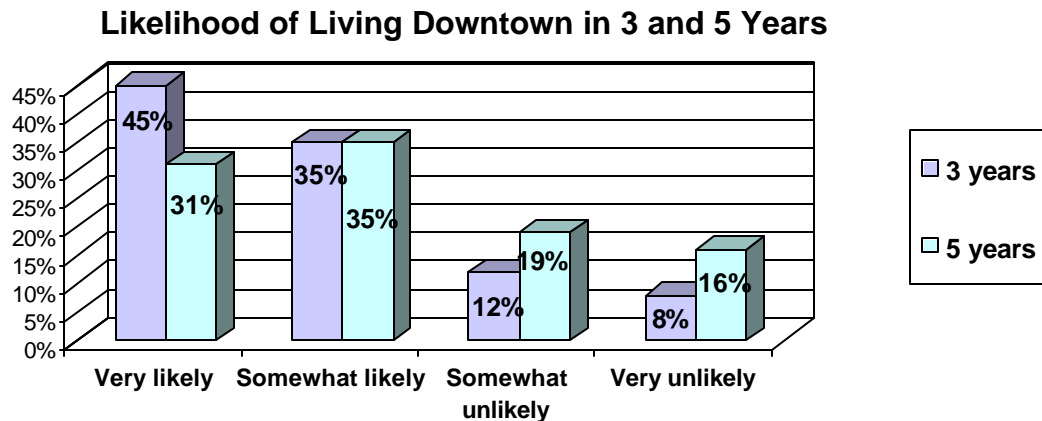
Percentages do not add up to 100 because respondents answered more than once to the question and all answers were included.

The primary mode of transportation to work for Lower Manhattan residents is subway with 54 percent of respondents commuting in that manner. The second most used mode of transportation is walking which is done by 35 percent of respondents. The 2000 Census reports that for all employed people living in Manhattan 23 percent walked to work. Residents of Lower Manhattan walk to work at a significantly higher rate than all Manhattan residents. In addition to the stated reasons for living Downtown (see below), this may demonstrate that Lower Manhattan has a strong mix of residents who live in the area because they work Downtown (or vice a versa).

Current and Future Residency

Seventy percent of all respondents have lived in Lower Manhattan for more than one year. Forty percent have lived Downtown for 3 years or more. Before moving to their current apartment, 34 percent lived north of Chambers Street, 28 percent lived outside of the NYC metro area, 18 percent lived Downtown before moving to their new apartment in Lower Manhattan and the remaining 20 percent moved from the NYC metro area outside of Manhattan. Sixty-two percent of respondents reported that living in Lower Manhattan was their first choice when they began searching for their apartment.

In addition, 80 percent reported they are “Very” or “Somewhat Likely” to be living in Lower Manhattan in 3 years and 66 percent reported the same about living in Lower Manhattan in 5 years. The responses are consistent regardless of when residents moved Downtown and may demonstrate that the residential incentives, which last for two years, made Lower Manhattan affordable for people who already wanted to live in the area.



When rating the importance of reasons to live in Lower Manhattan, 80 percent of respondents ranked *Overall Quality of Life* as “Very Important.” *Quality of Apartment*, *Safety/security*, *Neighborhood “feel”*, and *Affordability* were each ranked “Very Important” by at least 60 percent of respondents.

Reasons ranked “Very Important” for living in Lower Manhattan:

For All Respondents	
Overall Quality of Life	80%
Quality of Apartment	72%
Safety/security	72%
Neighborhood “feel”	64%
Waterfront	60%
Affordability	60%
Size of apartment	50%

Respondents were also asked to rank their top 3 reasons for **still** living in Lower Manhattan. Ranked as number one by the most respondents were *Convenient Commute*, *Quality of Apartment* and *Overall Appeal of Area* almost equally. When examining respondents’ top 3 ranked answers, the responses remained the same with *Quality of Apartment* mentioned by a higher percentage of respondents.

Reasons for still living in Lower Manhattan (item ranked first and 1-3):

For All Respondents	First	1-3
Quality of Apartment	14%	42%
Convenient Commute	14%	35%
Overall Appeal of Area	11%	35%

Comparing Pre-9/11 and Post-9/11 Residents

Seventy percent of survey respondents lived in their apartments before September 11, 2001 and chose to return. The remaining 30 percent, including a small percentage of respondents who moved from one apartment in Lower Manhattan to another, are part of the influx of new residents that have returned residential occupancy figures to the pre-9/11 rate of 95 percent.

Both pre-9/11 and post-9/11 respondents are similar to each other with some key distinctions. Below are the major distinctions between both sets of residents.

- **Newer residents are younger than existing residents.** Thirty-seven percent of those who have moved Downtown in the last year are younger than 30 years old as compared to 20 percent under 30 for those living Downtown before 9/11. Eighty-six percent of those who moved to the neighborhood after 9/11 are 45 years or younger while 65 percent of those already Downtown are in the same age range.

- **Newer residents have a smaller household income** . Fifty-three percent of post-9/11 respondents, as compared to only 42 percent of those living Downtown before 9/11, earn less than \$120,000 per year.
- **Newer residents work north of Chambers Street and commute by subway.** Sixty-five percent of post-9/11 respondents work in Manhattan north of Chambers Street as compared to 51 percent for pre-9/11 respondents. Sixty-three percent of post-9/11 respondents take the subway and 31 percent walk to work. For pre-9/11 respondents, 50 percent take the subway and 38 percent walk to work.
- **Newer residents chose to live Downtown for affordability.** More than half of post-9/11 respondents rated residential incentives as a “Very Important” reason to live in Lower Manhattan. In addition, post-9/11 respondents reported that the top three reasons they chose to live Downtown were *Affordability*, the *Size of Apartment*, and the *Quality of Apartment* followed by *Residential Incentives and Grants*, *To Be Part of Rebuilding Effort*, and *Convenient Commute/Walk to Work*.
 - By way of comparison, pre-9/11 respondents originally chose to live Downtown for the *Quality of Apartment*, *Convenient Commute/Walk to Work*, *Neighborhood “feel,”* and *Safety/Security*.

Expectations and Satisfaction

In examining whether Lower Manhattan was meeting or exceeding the expectations of residents regardless of when they moved Downtown, more than three-quarters of all respondents reported that Lower Manhattan was meeting or exceeding their expectations on 11 out of 14 issues including *Affordability*, *Safety/Security*, *Part of Rebuilding Effort*, *Convenient Commute*, *Size of Apartment*, *Quality of Apartment*, *Building Amenities*, *Local Schools*, *Parks*, *Waterfront*, and *Overall Quality of Life*. The only issue measured that did not meet or exceed the expectations of at least half of all respondents was *Shopping* with 58 percent reporting it was falling short of their expectations. Specifically, 60 percent of all respondents are “Somewhat” or “Very Dissatisfied” with the selection and quality of shops in Lower Manhattan. (It is important to note that the destruction of the World Trade Center and the retail complex within it resulted in the loss of a substantial number of retail stores in Lower Manhattan.)

However, in terms of restaurants, respondents were evenly split between being satisfied and dissatisfied with the selection and quality of restaurants in Lower Manhattan. Eighty percent eat out or take out one or more times per week with about forty-six percent eating out or taking out three or more times per week.

Improving Satisfaction

Respondents ranked needed improvements to retail shopping in Lower Manhattan. The three highest ranked improvements were *More Variety of Stores*, *More Attractive Stores* and *Extended Hours*. Overall, respondents stated that *More Grocery Stores/Convenient Stores/Retail*, *More Nightlife/Movies/Dining Options*, and *Better Transportation* are the amenities they would most like to see improved Downtown.

Improvements to Retail Shopping (item ranked first and 1-3)

For All Respondents	First	1-3
More Variety of Stores	27%	78%
More Attractive Stores	17%	65%
Extended Hours	14%	50%

Amenities you would most like to see improved (item ranked first and 1-3)

For All Respondents	First	1-3
Grocery/Convenience/Retail	36%	76%
Night Life/Dining Options	14%	56%
Better Transportation	8%	29%
Easier Parking/Less Traffic	6%	30%
Library	5%	30%

Conclusion

With occupancy rates back to pre-9/11 levels and the Lower Manhattan residential community regaining its strength, it is important to look to the future to assess what this community needs in order to continue the strong growth it has experienced over the past decade. The success of public policy to date provides the basis for continued efforts to create a mixed-use community. A growing residential community supports the Downtown commercial sector (the third largest central business district in the nation) while the residential community draws strength from the assets that sustain the commercial property market such as retail and restaurants. As the data elucidates, the residential market is capable of growth in a period during which the commercial market has not grown and yet each market is dependent on the other. To support the growth of the residential community in Lower Manhattan it is vitally important to focus on two major areas: transportation and quality and selection of shopping and dining. It is also important to expand other amenities such as local schools, open space, and access to a beautified waterfront so that an increase in new residents does not reduce the quality of life that has made Downtown living so attractive.

Although downtown residents' average monthly housing costs are comparable to those throughout Manhattan, their average household income is double that of Manhattan residents taken as a whole, providing Downtown residents with a higher level of disposable income. Many residents, however, are dissatisfied with the selection and quality of shops, restaurants, cultural events and nightlife in Lower Manhattan. Therefore should the quality and selection of Downtown retail and dining improve, the amount and frequency of residential patronage would grow. These improvements would contribute to Downtown realizing the goal of becoming a truly twenty-four hour a day, seven day a week community.

The Downtown residential community has the unique character of having a high percentage of people who walk to work *and* a high percentage of people who commute by subway. The combination of residents who live and work Downtown and residents who live Downtown and work elsewhere has strengthened the community and provided stability in very difficult times. Transportation improvements are crucial to support not only the anticipated growth of the residents, but also the expected growth of commercial workers as the economy improves. In virtually all areas --shopping/dining, quality of life and transportation -- there are strong links between different market sectors; the rejuvenation of the commercial office sector is central to the recovery of the retail sector, which is in turn important for the continued growth of the residential community.

The redevelopment of Lower Manhattan should be driven by new investments in infrastructure and services. These improvements will support both the growth of Downtown's commercial core as well as improving the overall environment for Downtown's residential development. The residential community has demonstrated that success and growth Downtown is a reality one year after 9/11. Now is the time to build on the strength and momentum to meet the core needs of everyone in Lower Manhattan.