THE LOWER MANHATTAN ECONOMY

New York State Assembly

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Speaker

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Employment and Wages

The performance of businesses in Lower Manhattan, especially those on Wall Street, is vital to the economic health of New York City and the State.

- After the 2001 recession, employment and wages had been gaining on an annual basis since 2004; however, employment did not reach the levels seen in 2000 prior to the September 11th attack. These gains have begun to dissapate as the impact of the recession continues to be felt across the City.
- In the midst of the ongoing financial crisis, Wall Street firms have announced a large number of layoffs and job cuts that will further adversely affect employment and wages in Lower Manhattan. Overall, the New York State Assembly expects the State financial activities sector to lose 82,000 jobs by the end of 2010 compared to the 2007 annual average level, with the heaviest losses occuring by mid-2009. Lower bonuses due to lower firm revenues are also likely in 2009 compared to 2007 and 2008, and will affect overall wage levels.
- In the third quarter of 2008, Lower Manhattan accounted for 7.1 percent of State employment and 10.4 percent of State wages, compared to 7.6 percent and 13.1 percent, respectively, in the third quarter of 2000.

Manhattan Office and Residential Markets

- According to Colliers ABR, Class A vacancy rates for Manhattan climbed throughout 2008, escalating to 9.1 percent in the fourth quarter, up from 5.3 percent in the fourth quarter of 2007. Class A vacancy rates have continued to rise in 2009, reaching 11.3 percent in April, matching the rate seen in March, November, and December of 2003. In comparison, the April 2008 Class A vacancy rate for Manhattan was 6.3 percent. The downtown vacancy rate for Class A office space was 7.4 percent in April 2009, up from 5.9 percent in April 2008.
- According to Colliers ABR, average rents in Manhattan for Class A and overall office space have fallen since reaching record high levels in the second quarter of 2008. Class A average asking rents decreased 20.5 percent in April 2009 compared to April 2008, falling to $68.83 per square foot. In April 2009, the Class A average rent in downtown fell 15.5 percent year-over-year to $49.56; midtown Class A average rent fell 24.6 percent year-over-year to $73.39.
- In the first quarter of 2009, rents in Manhattan declined at the steepest quarterly rate on record, according to Cushman & Wakefield.[1] Given the current economic climate, it is likely that rents will continue to fall and vacancy rates will continue to climb.
- According to the Corcoran Group, residential market sales declined by a staggering 52 percent in the first quarter of 2009 compared to the first quarter of 2008, marking the sixth consecutive quarter of falling year-over-year sales. The median sales price of an apartment in Manhattan fell 2 percent in the first quarter of 2009 to $925,000, as greater declines in the sale price of Manhattan apartments were offset by luxurious new units that joined the market in the first quarter. Average price per square foot declined 6 percent, while the median resale price of apartments fell by 11 percent year-over-year to $749,000.

New York City Tourism

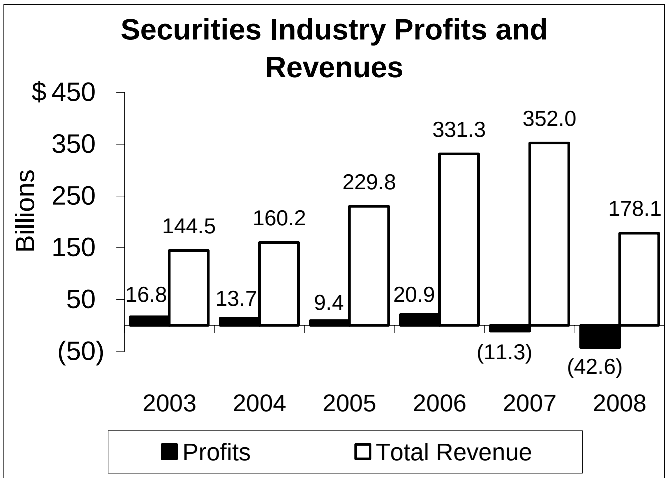
- The total number of visitors to New York City has been steadily increasing since 2001. In 2008, an estimated 47.2 million people visited NYC, an increase of 34.1 percent from 2001.

[1] Cushman & Wakefield has been tracking the series since 1984.

- ◊ Domestic visitors accounted for 79.7 percent of all visitors in 2008, down from 83.8 percent in 2001.
- ◊ From 2001 to 2008, international visitors to NYC increased by 68.4 percent. NYC & Company reported that 9.6 million foreign tourists visited NYC in 2008, an increase of 9.6 percent compared to 2007. The sharp weakening in the value of the U.S. dollar has further enhanced the attractiveness of NYC as a travel destination for international visitors.
- ◊ NYC hotel occupancy averaged 85.3 percent in 2008, down from 86.1 percent in 2007.

Impact of the Recession on Wall Street

- ♦ The performance of Wall Street firms is a major driver of the Lower Manhattan economy. As the epicenter of the ongoing global financial crisis, the Lower Manhattan economy has been hard hit by job and income losses.
- ♦ In 2007 and 2008, securities industry firms posted losses due to write-downs, many of which were related to mortgage-backed securities. NYSE-member firms reported losses of $42.6 billion in 2008.



Note: Industry profits are before tax. Numbers are for NYSE-member firms only.
Source: Securities Industry and Financial Markets Association (SIFMA).

- ♦ The securities industry in New York City has cut thousands of jobs since the recession began in December 2007. Further layoffs were announced in the first quarter of 2009, including cuts by major investment companies such as JP Morgan, Bank of America Corp, Wells Fargo, and Goldman Sachs.
- ♦ The announced cuts are widespread throughout the industry, as companies on Wall Street continue to consolidate. A large proportion of the job cuts are high paying positions such as analysts and traders. The impact on Manhattan is significant as these high paying positions at banks and brokerages account for approximately 30 percent of the City's private wages.

Definitions

Lower Manhattan is defined as the area of Manhattan below 14th Street. ***Downtown Manhattan*** refers to the area of Manhattan below Chambers Street. ***Midtown Manhattan*** refers to the area between 59th Street and 32nd Street, and ***Midtown South*** refers to the area between 32nd Street and Chambers Street.

Sources: NYS Department of Labor; Cushman & Wakefield; NYC & Company; Colliers ABR; Corcoran; Securities Industry and Financial Market Association (SIFMA); and individual company financial statements.