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# ZETLIN & DE CHIARA LLP



## The New Face of Downtown

*Lower Manhattan's Latest Makeover*

“It’s hard to believe when you walk the busy streets of Lower Manhattan today, that some 30 years ago, this area was practically on life support,” said **Michael Zetlin**, Co-Founding Partner of Zetlin & De Chiara LLP, at a panel he moderated on the changing face of downtown Manhattan at Commercial Observer’s [“The New Face of Downtown”](#) on November 29<sup>th</sup> at L&L Holding Company’s 195 Broadway. “Today, 266,000 people work downtown and 60,000 people live here (triple the number in 2000), according to Downtown Alliance statistics. Nearly 700 firms moved to the neighborhood since 2005, leasing more than 17 million square feet of space. The news is filled with stories about high-profile tenants flocking to or eyeing a move downtown including Macmillan Publishers, Holiday House Publishing, ESPN Studios, McKinsey & Co, Deutsche Bank and Spotify.”

Zetlin presided over a discussion between **Larry Silverstein**, Chairman of Silverstein Properties, and **Jessica Lappin**, President of the Alliance for Downtown New York, focused on the new World Trade Center -- how it helped revitalize Lower Manhattan and make it a desired location for technology, advertising, media and information (TAMI) tenants, as well as residential tenants.



Both panelists have found downtown's success to be a happy surprise. Silverstein observed that when he first started redeveloping the area after 9/11, he never could have imagined the growth. He finds it remarkable, so much so that at the age of 86, he and his wife will be relocating to the area, moving "away from the old fogies on Park Avenue" to experience the more dynamic, youthful energy of the downtown area.

One of the biggest market drivers in the newly invigorated area are creative companies. Lappin noted that this is likely due to a combination of the neighborhood's youthful vibrancy, its historic nature, relatively low rent prices and the growing number of amenities. She also finds that when one creative tenant comes, more follow, commenting that "success breeds success."

This influx has diversified downtown's economy. Once the turf of Wall Street, only 35% of its current tenants operate in the financial sector. Lappin hopes that should the country face another financial crisis, this diversity will protect the neighborhood.

Both panelists agreed that one of the neighborhood's main attractions for creative tenants is its access to a wide variety mass transit options. Silverstein noted that for tech companies, this is a big draw, helping them to attract a young workforce. Further, he noted that many young creatives already live in the area, making Lower Manhattan one of the largest live/work neighborhoods in the country. Lappin noted that for those who are not lucky enough to live in the neighborhood, 90% of jobs are within a five-minute walk of seven separate subway lines. These redundancies are critically important at a time when the MTA strains to keep up with lagging infrastructure and its ever-growing ridership. Additionally, downtown's access to Newark Airport is a major draw to tech clients operating in a global economy.

Downtown's retail boom was another point of discussion for the panel, who examined the impact of shopping centers such as Brookfield Place, Oculus and Seaport, as well as a diversification in the types of retail available. According to Lappin, ridership into the area has risen on weekends, an indicator that the area has become popular with shoppers. The Alliance's numbers find that Brookfield Place and Oculus are both experiencing growth, and, despite not being open yet, Seaport is finding innovative ways to draw consumers to the area. Further, rent is still about 10% lower than

other prime retail neighborhoods, making the area a huge draw for tenants in this sector. Silverstein, the driving force behind Oculus and much of downtown's redevelopment, took time to discuss Oculus' impact as an architectural landmark. He noted the importance of investing in buildings that are more than functional, but works of art and how impactful the quality of downtown's new buildings will be as the neighborhood continues to evolve.

The panel also examined challenges the neighborhood has faced during this period of change. Silverstein noted that most of the office buildings were 60 years or older and trying to retrofit new technologies into those buildings was near impossible. "As buildings age, the ability to use them efficiently and effectively for commercial purposes decreases," he said. Increasingly, he is seeing the continuation of older buildings more attractive for alternative uses, often residential. Lappin found that this also spoke to the neighborhood's endurance. Post-Sandy, devastation led to ingenuity with the reimagining of old buildings. "That's the whole thing about Lower Manhattan. You have old and new coming together in a very unique way," she said.

Resiliency was an important theme for both panelists. Lappin noted that the private sector has done what it can to protect itself from inclement weather. She called on the government to step up and provide funding, acknowledging that this will be challenging with a president who doesn't believe in climate change and a HUD secretary who is unfamiliar with the sector. New York City has begun to invest in storm surge protection, but rising sea levels and flooding are only going to increase. "Climate change is an issue cities around the world are going to have to face," Lappin said. Likewise, when asked about the affect the new GOP tax plan would have on the sector, Silverstein noted it would be, "Debilitating. Severely debilitating. Let's do something about it."

Other main themes of the morning discussion were the influx of TAMI and residential tenants, the youthful vibrancy of the neighborhood, the neighborhood's retail boom, the benefit of access to transportation and the challenges of updating older buildings. The panel also highlighted the neighborhood's prosperous hotel sector, noting that Silverstein Properties' Four Seasons is doing extraordinarily well. The current price per square foot advantages for Lower Manhattan commercial properties were also discussed, with Lappin noting that the area currently holds a \$20 per square foot advantage over its peers, but this gap is closing fast.

Silverstein has a very optimistic outlook on the neighborhood's future. When forecasting, he sees "more of the same." In his view, investment will continue to come into the U.S., with New York being its first stop. Those with great wealth will always seek investment quality real estate. "If you take the long view, downtown will only continue to rise in value." It is a safe, solid and stable investment.