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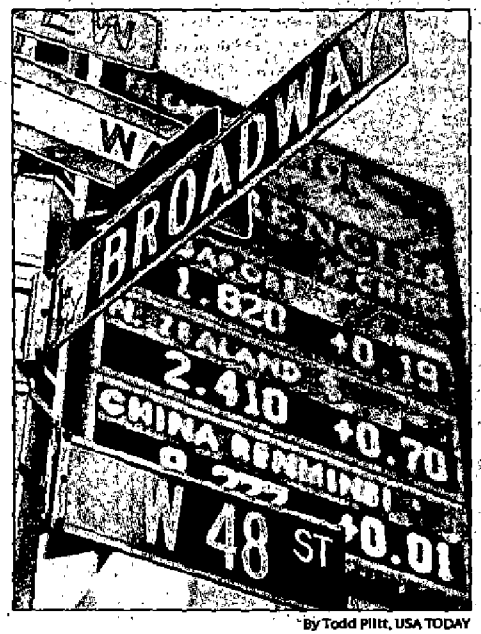

By Todd Pilitt, USA TODAY

Sign of the times: Currency data flashes on a Midtown building miles from Wall Street.

'Wall Street' migrates to Midtown

Terrorist attacks speed exodus of brokerages, investment banks from NYC financial district

By Noelle Knox and Martha T. Moore
USA TODAY

NEW YORK — Ever since the Erie Canal opened in the early 1800s, Wall Street has been the money capital of America. The financial district has survived the Civil War, a street bombing in 1920, the Great Depression, the 1987 stock market crash and a 1993 truck bombing.

Cover story

But on Sept. 11, the future of Wall Street was obscured by an acrid cloud of ash and smoke. Plans for a new building for the New York Stock Exchange on Wall Street are now uncertain. The financial district has lost about 45% of its best office space: Thousands of brokers and traders who fled the towers aren't coming back.

One of the nation's largest brokers, Lehman Bros., has abandoned its headquarters near the World Trade Center and purchased a building 4 miles away in Midtown Manhattan. Financial services giant American Express, which also faced the twin towers, is seeking a new home. Even the Nasdaq stock market, where many high-profile technology companies are traded, wants to move its executive offices from the financial district to its market site in Times Square.

For years, the financial industry has been slowly migrating from its historic home in the warren of streets around Wall Street to the more spacious and glamorous office towers of Midtown Manhattan. Morgan Stanley, J.P. Morgan Chase, Citigroup, and Bear Stearns have all moved north.

The World Trade Center attack has accelerated the trend, turning Midtown — from 30th Street up to 59th Street — into the nation's new financial district.

New York officials have been fighting for decades to

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stem the exodus of financial firms leaving the city for cheaper suburban quarters. Now they are struggling to keep temporary moves to office space in New Jersey or Connecticut from becoming permanent. City and state officials have asked for $2 billion in federal aid to provide incentives for firms to move back into the financial district — as much money as New York has spent on business retention programs in the past decade.

But on Wall Street, where the credo "time is money" was invented, it might be too little or too late.

The terrorist attack left the financial district looking like a war zone. The New York Stock Exchange, 6 blocks away from the World Trade Center site, is surrounded by barricades. National Guard troops patrol the streets. Damaged subway stations and a crucial train link to New Jersey remain closed, lengthening commutes for thousands of workers. Employees arriving at Goldman Sachs headquarters near Wall Street have to pass two security checks and a bomb-sniffing dog.

A 53-story office tower overlooking the Trade Center site, where tenants include other Goldman offices and the administrative offices for Nasdaq, was supposed to reopen Monday. But city officials ordered it to remain closed for unspecified reasons.

Hardwick Simmons, chairman and chief executive officer of Nasdaq, may not wait for the building to reopen. Simmons has been running the stock market, where companies such as Microsoft and Intel are traded, from Nasdaq's media and visitors center in Times Square since Sept. 11.

"We like the space we're in downtown, but it's just better business for us to be here (in Midtown) where more of our activities take place," he said, adding that he has not had any discussions with the city about staying in the financial district and is "not looking for any incentives from the city."

Stock quotes in Midtown

In the middle of Times Square, giant Nasdaq video screens display the latest stock market prices. The new U.S. headquarters for Reuters financial newswire is a block away. Up the street on Broadway, the day's news headlines and stock quotes stream across the face of the Morgan Stanley building, while an electronic screen on one side flashes foreign stock indexes and currency prices.

Moving to Midtown

The collapse of the World Trade Center damaged or destroyed 20 million square feet of premium office space, or about 45% of the prime office space in the financial district. American Express, Nasdaq, Keefe Bruyette & Woods and Cantor Fitzgerald are among the displaced financial district firms looking in Midtown. *Here's where companies want space:*

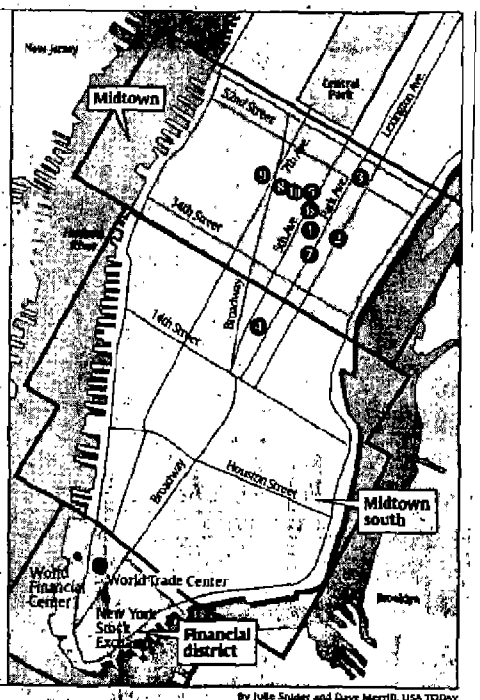
Business space wanted (millions of square feet):



Brokerage headquarters in Midtown:

	Address
1. Bear Stearns	383 Madison Ave.
2. CIBC	425 Lexington Ave.
3. Citigroup[1]	399 Park Ave.
4. Credit Suisse First Boston[1]	11 Madison Ave.
5. Deutsche Bank	31 W. 52nd St.
6. Fiduciary Trust[2]	600 5th Ave.
7. JP Morgan Chase[3]	270 Park Ave.
8. Lehman Bros.[2]	745 7th Ave.
9. Morgan Stanley[1]	1585 Broadway
10. UBS PaineWebber	1285 6th Ave.

1 – Midtown-based firms that moved operations out of downtown since Sept. 11
2 – Moved headquarters from downtown to Midtown since Sept. 11
3 – Plans to move downtown operations closer to its Midtown base predate Sept. 11



Sources: Cushman Wakefield; USA TODAY research

By Julie Snider and Dave Merrill, USA TODAY



By Todd Plitt, USA TODAY

Moving north: New Lehman Bros. headquarters occupies the whole block of 7th Avenue from 49th to 50th Street in Midtown Manhattan.

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The streets teem with people. The restaurants are full.

Big brokerage firms like Midtown because the office buildings are bigger and newer, providing the huge trading floors and miles of telecommunications wiring they require. Midtown is where the suburban commuter rail links are and where all the theaters and restaurants sit, making it easier to entertain out-of-town clients.

This is the neighborhood where Lehman Brothers is planting its flag. The brokerage, whose headquarters were across the street from the World Trade Center, agreed to pay about $650 million for the office tower on Seventh Avenue between 49th and 50th Streets. It beat out a bid from American Express, says John Cefaly, vice chairman of Cushman & Wakefield, a commercial real estate firm.

Credit Suisse First Boston, CIBC, Fiduciary Trust, Cantor Fitzgerald and Keefe Bruyette & Woods also are moving their displaced businesses to Midtown.

"The feeling was it would be too emotional for people to have work in the area where the World Trade Center was," says Neil Shapiro, a spokesman for Keefe Bruyette & Woods. The investment bank lost 67 employees when the north tower collapsed. "There are just too many bad memories."

Other companies are moving operations to surrounding suburbs. One is The Wall Street Journal, which is giving up half of its office space near the World Trade Center. When Dow Jones, parent of the newspaper and Barron's, a financial weekly, returns to the World Financial Center, it will bring back 425 of the 750 employees who worked there before Sept. 11. Some of the rest will move to offices elsewhere in Manhattan. But most will work 50 miles away in New Jersey.

City plans incentives

The city is hoping to offer about $2 billion in incentives for corporations to stay in lower Manhattan through the creation of a "Liberty Zone" around the World Trade Center site. The package — part of a $54 billion recovery and reconstruction bill before Congress — would include employee retention grants and sales tax and other tax breaks. City economic development officials also want to issue $15 billion in tax-exempt bonds that would then be used to provide attractively priced loans to developers to rebuild.

"No firm has told us that they are not interested in going back downtown," says Michael Carey, president of the city's Economic Development Corp. "Lower Manhattan will emerge once again as the financial center of New York City and as the financial capital of the world," Carey says. "In the short term, can you say that? Probably not. People have had to make interim arrangements. But our conversations with business have been consistent in that people have said, 'We would like to come back to lower Manhattan.' "

Much hangs on the ability to offer incentives, Carey says.

"It may require more than $2 billion," says Carl Weisbrod, head of the Downtown Alliance, the neighborhood's business-improvement district. "This is certainly the most

Cover story

essential issue, and the timing of it is crucial. ... Many firms have to make those decisions now."

"We've got to get normal fast, for folks to be comfortable coming back here to work," says Kathryn Wylde, head of the New York Partnership, a leading business group.

Steeped in tradition

In 1792, when merchants gathered around a buttonwood tree at the foot of Wall Street to trade securities, the banks, brokerage houses and insurance companies had to be near each other, and near the heart of commerce — the port. Until 1980, the New York Stock Exchange required brokerage firms to have offices clustered around Wall Street so clerks could deliver paper stock certificates bought or sold that week. Now computers and telephones link global markets. Distance seems irrelevant.

Some of the old guard, notably Goldman Sachs and Merrill Lynch, remain fiercely loyal to the financial district. And Deutsche Bank is moving into a building on Wall Street that J.P. Morgan Chase is leaving. But their resolve might waver if Wall Street loses the New York Stock Exchange.

The world's largest stock market has outgrown its neoclassical temple at the corner of Wall and Broad streets. In 1998, the city offered the NYSE a deal, valued between $600 million and $1 billion in tax incentives and construction costs, to give the exchange the bigger home it wanted but keep it in the financial district. Construction across the street from the NYSE was to start early next year.

Those plans are on hold. Instead, the city is renting out the buildings that were to be torn down to homeless companies like the Bank of New York for up to 18 months.

City officials insist the new exchange will go forward. And Richard Grasso, chairman of the exchange, has said, "If that real estate is necessary to keep businesses dislocated by the tragedy from going to other states ... we are going to be partners to the city on that and to the state." Grasso declined comment for this story.

In quiet conversations around the NYSE, however, some say they can only wait so long. "If it's more than a year's delay, the exchange is probably going to be looking at other alternatives," said a person familiar with the deal, who spoke on the condition of anonymity.

Face-to-face trading — buyers and sellers standing inches apart and bellowing trades — remains a cornerstone of the NYSE. And having all the players in a deal — investment bankers, lawyers, accountants — close at hand, able to meet quickly or hold many meetings a day, has long been seen as the major benefit of the financial district's tight quarters.

"If you have e-mail and fax machines, you don't need to be literally across the street from the stock exchange. But on the other hand, you don't want to be trading from Omaha," Carey says. "You want to be able to go downtown and see people."

But the World Trade Center attack revealed the vulnerabilities of concentration. The entire financial district was shut down for five days, the longest since the Great Depression, and reopened only after crews worked around the clock to restore phone and power lines.

That has apparently made some firms rethink whether it is wiser to spread out their employees. When Lehman bought its new Midtown headquarters building, the seller was Morgan Stanley. Morgan had decided the tower was too close to its headquarters, two blocks away.

The NYSE might divide its trading floor into two locations as part of a new crisis contingency plan.

Beyond its roots

There is nothing more classically New York than a neighborhood being completely transformed, even against its will. "The notion of any neighborhood being stable over a long period of time is a chimera. It doesn't happen," says historian Mike Wallace, co-author of Gotham, the Pulitzer-winning history of New York City.

Posh residences were built in Battery Park City, the neighborhood built on landfill excavated during the Trade Center's construction. Empty commercial buildings have been converted into apartments and condominiums. To fill other office space, the city offered financial incentives to multimedia firms to move downtown.

Residents in the financial district have increased by 60% the past decade, to about 25,000. There are more grocery stores, dry cleaners, two grade schools and one of the city's top high schools. There are even plans for a Frank Gehry-designed branch of the Guggenheim Museum on the waterfront.

Local community groups are urging that a bigger plan for rebuilding lower Manhattan be developed — one that recognizes that the financial district no longer becomes a ghost town after the stock market closes at 4 p.m.

They want mass transit improvements and better integration of parts of the neighborhood that were divided by the bulk of the World Trade Center. The towers, which stood on a raised plaza, served as a wall between Battery Park City to the west and the financial district to the east.

Larry Silverman, who owns the 99-year lease on the World Trade Center site, has vowed all along to rebuild. His current plan is to erect four 50-story office towers.

Not everyone favors trying to recreate the financial district. "I'm not sure that still makes the most sense for lower Manhattan," says Jonathan Bowles, research director for the Center for an Urban Future. "Those types of tenants have been on the way out for a while now."

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