Pace Downtown Index (PDI) is the most up-to-date measure that tracks economic progress in Lower Manhattan. It has proven to be an early economic barometer, producing impartial findings that are regularly supported several months later by data from federal and local agencies. Since downtown data usually are not broken out from units like the Borough of Manhattan or the city as a whole, the PDI calculates Downtown economic health indirectly. Extensive statistical tests discovered four proxy variables and a way of weighing their relative impacts to produce an average that mimics the area’s economic behavior. The use of multiple variables smoothes out potentially-misleading volatility in the individual factors. The PDI algorithm gauges and combines:

- The financial markets (S&P 500 index, Federal Funds Rate)
- The commercial real estate market (changes in total commercial real estate vacancy rate for Lower Manhattan, supplied by Cushman & Wakefield)
- The overall health of the city’s economy (20% of the Gross City Product, reported by the City Comptroller’s office)

During its development, the PDI was found to be accurate in tests against historical data for Lower Manhattan from January 1996 to 2004. The PDI defines Downtown as the postal zip codes between the East and Hudson Rivers from Canal Street to Battery Park. It was launched by Pace University’s Center for Downtown New York in July, 2004.
July Commentary

Despite the positive and negative views on the mission of the Lower Manhattan Development Corporation, the progress in rebuilding the Lower Manhattan, and lower than expected employment level, the region has become the most appealing tourist attraction for the national and international vacationers. Hotel occupancy rate is highest; it is hard to get a reservation at good Downtown restaurants, and streets are jammed with people, walking, eating, buying and simply enjoying the beauties of this fascinating part of the City of New York. “When three Fifth Avenue retailers sign leases below Chamber Street within a year, you know Downtown’s retail renaissance has begun,” said Eric Deutsch, President of the Downtown Alliance. The Pace Downtown Index has been reporting this phenomenal growth for the past two years, months ahead of every data set that followed. The Dow Industrial average fluctuates, the S&P 500 rises and falls, price of oil moves up and down, there are variations in the commercial real estate vacancy rate, but the economy of Lower Manhattan grows.

Upward Trend since September 03

The PDI went public in July, 2004, but the Pace team tested it against data on the Lower Manhattan economy going back to 1996. A chart of the index shows a relatively stable upward trend, with economic activity peaking in November 2000. A downward slide began before 9/11, was magnified by the attack, and reached a low point in July and August 2003. After August, 2003, the index began to rise steadily.

For the complete data and analysis, please go to www.pace.edu/paceindex.

Assumptions of the PDI Model

Entities like the Alliance for Downtown New York, Inc. have identified five major economic markets in the Downtown area – office space, residential space, retail, tourism and commercial activities. The area contains a combination of commuter employees and residents, as well as entertainment and cultural establishments. Furthermore, the financial markets influence the economy of Lower Manhattan, as do the economies of the City of New York and the nation. The PDI was created to reflect these influences.

“Aftershock: Rethinking the Future since September 11, 2001”

The Pace Center for Downtown New York is presenting what is expected to be the most wide-ranging anniversary forum on the effects of 9/11 at its Downtown campus September 6-9. Speakers include Governor George Pataki, Deputy Mayor Daniel Doctoroff, LMDC head Stefan Pryor, White House advisor David Gergen, historian Doris Kearns Goodwin, editor William Kristol and the former vice chair of the federal 9/11 commission Lee Hamilton. Admission is free; registration is required. www.pace.edu/aftershock.