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An Ecosystem Under Threat In Manhattan

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Even after the crisis eases, companies may let workers stay home. That would affect an entire ecosystem, from transit to restaurants to shops. Not to mention the tax base.

Before the coronavirus crisis, three of New York City's largest commercial tenants -- Barclays, JP Morgan Chase and Morgan Stanley -- had tens of thousands of workers in towers across Manhattan. Now, as the city wrestles with when and how to reopen, executives at all three firms have decided that it is highly unlikely that all their workers will ever return to those buildings.

The research firm Nielsen has arrived at a similar conclusion. Even after the crisis has passed, its 3,000 workers in the city will no longer need to be in the office full-time and can instead work from home most of the week.

The real estate company Halstead has 32 branches across the city and region. But its chief executive, who now conducts business over video calls, is mulling reducing its footprint.

Manhattan has the largest business district in the country, and its office towers have long been a symbol of the city's global dominance. With hundreds of thousands of office workers, the commercial tenants have given rise to a vast ecosystem, from public transit to restaurants to shops. They have also funneled huge amounts of taxes into state and city coffers.

But now, as the pandemic eases its grip, companies are considering not just how to safely bring back employees, but whether all of them need to come back at all. They were forced by the crisis to figure out how to function productively with workers operating from home -- and realized unexpectedly that it was not all bad.

If that's the case, they are now wondering whether it's worth continuing to spend as much money on Manhattan's exorbitant commercial rents. They are also mindful that public health considerations might make the packed workplaces of the recent past less viable.

''Is it really necessary?'' said Diane M. Ramirez, the chief executive of Halstead, which has more than a thousand agents in the New York region. ''I'm thinking long and hard about it. Looking forward, are people going to want to crowd into offices?''

Of course, the demise of the Manhattan office market has been predicted for decades, especially after the Sept. 11, 2001, attacks.

Owners of office towers, including two of the largest landlords in the city, Vornado Realty Trust and Empire State Realty Trust, said they were confident that after this crisis, companies would value in-person communication more than ever. That's especially the case given how isolated some workers have felt since the shutdown began in March, the landlords said.

The number of workers who actually prefer to be in an office because of the opportunity for social interaction is an unknown factor.

Still, when the dust settles, New York City could face a real estate reckoning.

David Kenny, the chief executive at Nielsen, said the company plans to convert its New York offices to team meeting spaces where workers gather maybe once or twice a week.

''If you are coming and working at your desk, you certainly could do that from home,'' Mr. Kenny said. ''We have leases that are coming due, and it's absolutely driving those kinds of decisions.''

"I have done an about-face on this," he added.

Barclays, JP Morgan Chase and Morgan Stanley are part of a banking industry that has long been a pillar of the city's economy, with more than 20,000 employees. Collectively, they lease more than 10 million square feet in New York -- roughly all the office space in downtown Nashville.

Jes Staley, the chief executive of Barclays, the British bank, said that "the notion of putting 7,000 people in a building may be a thing of the past."

The company is studying jobs that would be most adaptable to working remotely, a spokesman said, and some employees could be required to show up in person only on an as-needed basis.

James Gorman, the Morgan Stanley chief executive, declined a request for an interview. But he told Bloomberg that the company had "proven we can operate with no footprint. That tells you an enormous amount about where people need to be physically."

In a recent email to employees, JP Morgan Chase, which until last year had been the largest office tenant in New York City, said the company was reviewing how many people would be allowed to return. More than 180,000 Chase employees have been working from home.

Other major companies, including Facebook and Google, have extended work-from-home policies through the end of the year, raising the prospect that some may never return to the office. Twitter, which has hundreds of employees in its New York office in the Chelsea neighborhood of Manhattan, told all its employees on Tuesday that they could work remotely forever if they want to and if their position allows for it.

Warren Buffett, the chairman of Berkshire Hathaway and one of the country's most prominent corporate leaders, predicted that the pandemic would lead many companies to embrace remote working arrangements. "A lot of people have learned that they can work at home," Mr. Buffett said recently during his annual investors meeting.

New York City has withstood and emerged stronger from a number of catastrophes and setbacks -- the 1918 Spanish Flu, the Great Depression, the 1970s financial crisis and the 2001 terrorist attacks. Each time, people proclaimed the city would forever change -- after 9/11, who would want to work or live in Lower Manhattan? -- but each time the prognostications fizzled.

But this moment feels substantially different, according to some corporate executives.

The economy is in a sustained nosedive, with unemployment reaching levels not seen since the Great Depression. Many companies are in financial trouble and may look to shrink their real estate as a way to cut expenses.

More fundamentally, if social distancing remains a key to public health, how can companies safely ask every worker to come back?

"If you got two and a half million people in Brooklyn, why is it rational or efficient for all those people to schlep into Manhattan and work every day?" said Jed Walentas, who runs the real estate company Two Trees Management. "That's how we used to do it yesterday. It's not rational now."

Still, workers do much more than fill cubicles.

Entire economies were molded around the vast flow of people to and from offices, from the rush-hour schedules of subways, buses and commuter rails to the construction of new buildings to the survival of corner bodegas. Restaurants, bars, grocery stores and shops depend on workers for their survival.

Real estate taxes provide about a third of New York's revenue, helping pay for basic services like the police, trash pickup and street repairs. Falling tax revenue would worsen the city's financial crisis and hinder its recovery.

"I get worried that the less money that is coming in, then we can pay less in taxes and less in services, and it becomes a vicious cycle," said Brian Steinwurtzel, the co-chief executive at GFP Real Estate, the largest owner and manager of small tenant office and retail buildings in the city.

Chinatown in Manhattan typifies the bond between office workers and surrounding neighborhoods. While Chinatown attracts tourists, many restaurants and stores rely just as much if not more on workers who typically pour in every day from the Financial District and nearby courthouses and municipal buildings.

"It is not dramatic to say that we don't know if Chinatown is going to be here when we come out of this," said Jan Lee, 54, who owns two mixed-use buildings in the neighborhood, including one that his grandfather bought in 1924.

One of his three commercial tenants, a makeup store, has not paid rent since January. None of them, including two formerly busy restaurants, have paid May rent. Mr. Lee has a roughly $250,000 property tax bill due on July 1 that he cannot afford to pay.

"We have lost millions of dollars," he said, "and millions of trips that people were taking to spend their lunch hour here."

At Aux Epices, a Malaysian and French bistro in Chinatown, Mei Chau, the chef and owner, used to serve up to 50 people at lunch, mostly workers from nearby office buildings.

On Friday, she reopened the restaurant for takeout lunch. No one showed up.

"I have had a hard time, and I know I'll have a hard time," she said.

Landlords, developers and business owners were hopeful just a few weeks ago that the economy could largely reopen in June.

But the reality, they now concede, is that late summer or early fall seems more realistic for a partial reopening, while a true reopening -- something that might resemble a bustling New York -- will not surface until there is a vaccine or effective therapeutics.

Still, some developers are dubious that the sudden shift in work environments will become permanent in any significant way.

Anthony E. Malkin, the chief executive of Empire State Realty Trust, the owner of the Empire State Building and eight other properties in Manhattan, said New York's appeal -- a diverse and educated work force and large industries, including a fast-growing **technology** sector -- would drive an economic rebound and a desire for office space.

"The absence of social contact through which people are living today is not sustainable," Mr. Malkin said. "Can you pay the bills from home? Can you process things from home? Yes. But can you work as a team from home? Very challenging."

Mary Ann Tighe, the chief executive of CBRE's New York Tri-State Region, the commercial real estate firm, said offices would undoubtedly change, with a mix of employees working remotely. But workers will still want to interact face to face.

"This isn't the nature of office work," Ms. Tighe said, referring to work-from-home arrangements.

Steven Roth, chairman of Vornado Realty Trust, one of the largest commercial landlords in the city, said on a company earnings call this month: "We do not believe working from home will become a trend that will impair office demand and property values. The socialization and collaboration of the traditional office is the winning ticket."

But driven by safety or financial considerations -- or both -- many companies, big and small, are rethinking the future of work.

Small Planet, a small software developer in Brooklyn, said about half its work force is likely to continue working remotely even after the city reopens.

"The world is going to be different when we come out of quarantine, and our habits and how we use office space will absolutely be different," said Gavin Fraser, the company's chief executive. "It really took the lockdown, if you will, to accelerate those trends."

Tenants are weighing a need for office space in Manhattan. (A1); Entire economies in New York City rely on the vast flow of commuters to and from office buildings, from transit to restaurants to shops. Not to mention the tax base.; Morgan Stanley is part of a banking industry that has long been a pillar of Manhattan's economy.; Halstead has 32 offices across the region. Mei Cahu, the owner of a restaurant in Chinatown, reopened for takeout, but no one came. (PHOTOGRAPHS BY CHANG W. LEE/THE NEW YORK TIMES) (A12)

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CATEGORY

Morgan Stanley Hid Fees From Some Customers

Morgan Stanley agreed to pay a $5 million fine to settle a Wall Street regulator's complaint that it loaded extra fees onto accounts of some customers who were expecting to pay only a flat rate for its investment advice.

The Securities and Exchange Commission said on Tuesday that the extra fees were levied from 2012 to 2017 on accounts that were part of its ''wrap fee'' program, which was supposed to be managed for a flat fee. In marketing materials for the program, the bank told customers the accounts would connect them with top-notch investment advisers ''while streamlining and simplifying the expense associated with such a portfolio.''

Instead, the customers were charged additional fees when Morgan Stanley asked outside brokers to make trades.

The bank failed to offer customers enough information to identify the extra fees they were paying, the S.E.C. said. The regulator said Morgan Stanley knew that some advisers in the program sent some or even all of their clients' business to outside brokers, at additional costs that were hidden in the prices of the investments.

''Investment advisers are obligated to fully inform their clients about the fees that clients will pay in exchange for services,'' an S.E.C. official, Melissa R. Hodgman, said in a statement emailed to journalists on Tuesday. EMILY FLITTER

CATEGORY

Telegram Shelves Cryptocurrency Effort

The company that operates the Telegram messaging application has given up on an ambitious project that had already raised $1.7 billion from some of the biggest names in Silicon Valley to launch a new cryptocurrency.

In a blog post on Tuesday, the chief executive of Telegram, Pavel Durov, wrote that the company's ''active involvement'' in the cryptocurrency, known as the Gram, and an associated computer network was ''over,'' two and a half years after the project began. The Securities and Exchange Commission moved to shut the project down last fall, arguing that it violated securities regulations, but Telegram initially said it would fight the order.

The Gram is the latest, and perhaps the most ambitious project to fail from the craze surrounding ''initial coin offerings'' that swept the world in 2017, leading to billions of dollars in lost investments. Telegram, which has no firm headquarters, had hoped the Gram could help its anti-government ambitions. But Mr. Durov recognized, while criticizing, the power of American regulators in his blog post this week, noting that ''you can't bring more balance to an overly centralized world exactly because it's so centralized.'' NATHANIEL POPPER

CATEGORY

China Suspends Hedlyne Goes For Maximum of Two Lines

BEIJING (AP) -- China suspended punitive tariffs on more U.S. goods including radar equipment for aviation Tuesday amid pressure from President Donald Trump to buy more imports as part of a truce in their trade war.

The Ministry of Finance said tariff increases on 79 types of goods including radar sets, disinfectant and rare earths minerals would be suspended for one year starting May 19.

Washington agreed in January to cancel additional tariff hikes and Beijing committed to buy more American farm exports. U.S. officials said China agreed to address complaints about its **technology** policies.

Trump threatened May 3 to terminate the agreement if China fails to buy more American goods.

Trump said earlier that Beijing agreed to buy $200 billion of American farm goods and other exports. China resumed purchases of American soybeans but has yet to confirm the size of its commitment.

Trump's threat rekindled fears in financial markets of more U.S.-Chinese conflict and potential disruption of global trade at t a time when economies are reeling from the impact of the coronavirus pandemic.

The two sides have raised duties on tens of billions of dollars of each other's imports in a dispute over China's **technology** ambitions and trade surplus.

Slumping economic activity due to the virus has prompted suggestions China might be unable to carry out commitments to boost imports.

Last week, U.S. and Chinese trade negotiators promised to create "favorable conditions" for carrying out the truce, China's government announced. The two sides gave no timeline for more talks.

Tuesday's announcement was the third Chinese tariff cut since the January agreement.

Beijing announced on Feb. 6 it would reduce duties on $75 billion of U.S. goods. It followed up by rolling back penalties on a list of goods that included medical and industrial machinery. ASSOCIATED PRESS

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