London Property Alliance

Global Cities Survey

February 2024

London Property Alliance

WPA | CPA

Westminster Property Association | City Property Association

Acknowledgements

London Property Alliance brings together the Westminster Property Association (WPA) and the City Property Association (CPA). The Alliance provides a unified voice for the leading owners, developers, investors and professional advisors of real estate across Central London.

The Global Cities Survey is commissioned by the London Property Alliance and produced in partnership with the Centre for London featuring data from Oxford Economics.

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About the London Property Alliance

London Property Alliance brings together the Westminster Property Association (WPA) and the City Property Association (CPA). The Alliance provides a unified voice for the leading owners, developers, investors and professional advisors of real estate across Central London.
www.londonpropertyalliance.com

About Centre for London

Centre for London is London's dedicated think tank. The Centre undertakes research and organises events aimed at developing new solutions to the capital's critical challenges. Centre for London is a registered charity and politically independent, advocating for a fair and prosperous global city.
www.centreforlondon.org

For further information about this survey, please contact London Property Alliance at team@cwpa.org.uk.

Introduction

Two years after the first edition of our Global Cities Survey, we are delighted to have published nine editions of analysis and commentary on the challenges facing five global cities across a range of indicators; from the labour market to inflation rates. The period covered - from Autumn 2021 to early 2024, has seen a global vaccine roll-out, the Omicron wave and the lockdowns it sparked, the inflationary impacts of Russia's invasion of Ukraine and other major political and regional upheavals.

By the end of 2023, when this edition was prepared, the effects of interest rate hikes and global inflation had had a notable impact on our global cities' economies. London comes out on top with respect to its performance in the areas of **prime real estate**, **housebuilding**, and its ability to attract **foreign direct investment**, but has underperformed on **output growth** and **job vacancies**. While the West End has continued to flourish, with **high rent growth** and **low vacancy rates** in offices, Manhattan's vacancy problem has only grown. Meanwhile, Paris has gone from labour market laggard to the leader of the pack.

On the other side of the globe, Hong Kong did not suffer a notable inflationary spike in 2023, but COVID-related restrictions in 2022 and 2023 inflicted significant damage on **tourism** and **commercial real estate**. Meanwhile the relatively benign macroeconomic environment in the US is benefitting New York, with **unemployment** starting to fall at the same time as **inflation**.

Charles Begley

Chief Executive

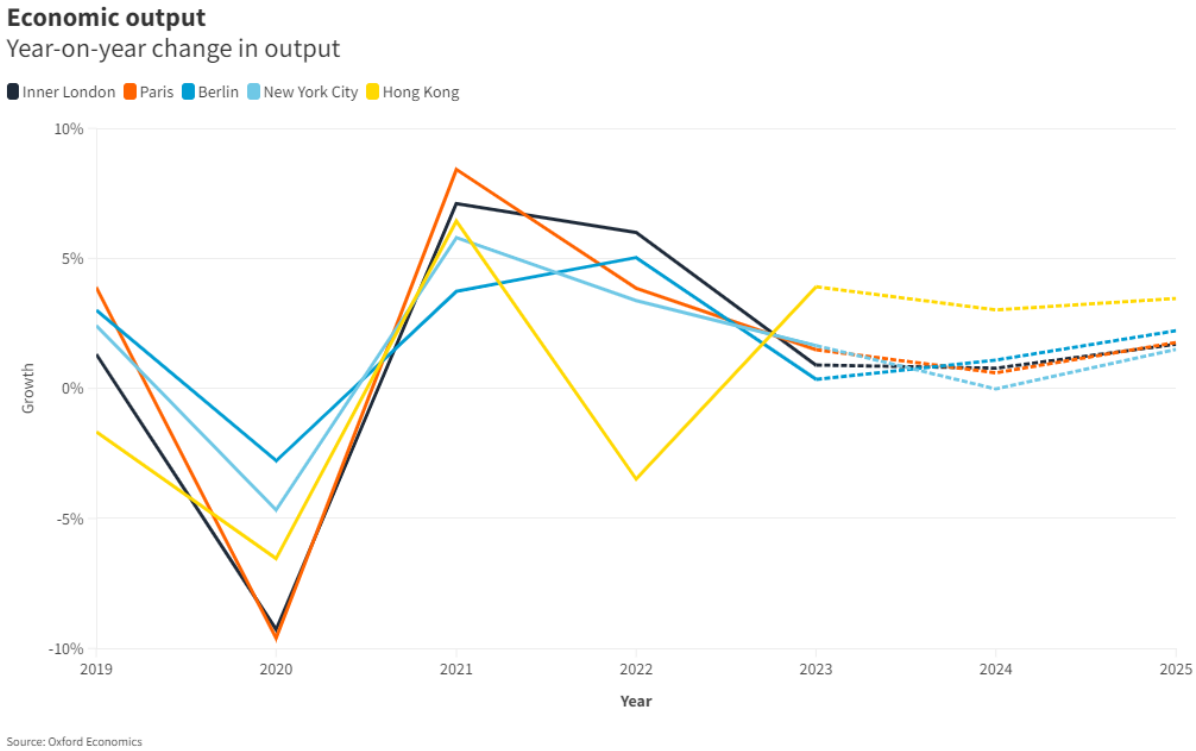
London Property Alliance

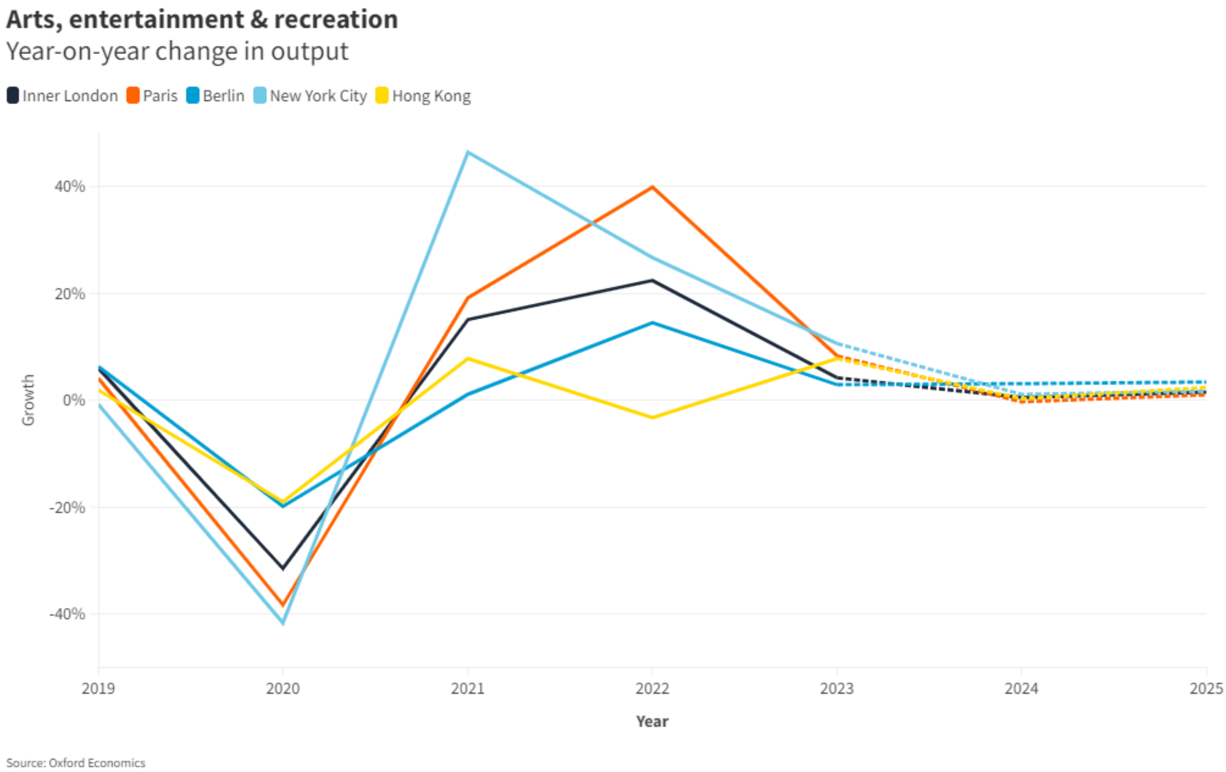
League table of best-performing cities in December 2021 and January 2024

Dataset	Top ranking city at time of first GCS	Top ranking city in January 2024
Economic output	London	Hong Kong
Unemployment	Hong Kong	Hong Kong
Employment	London	Paris
Job vacancies	New York City	Paris
Office vacancy rates	Berlin	Paris CBD
Prime office rents	London – West End	London – West End
Airport passenger demand	New York City/Paris	New York City
Inflation	France	Hong Kong
New homes completed	London	London
Airbnb occupancy	Berlin	Berlin
FDI	London	London
Air quality	Paris (Q1 2022)	New York City
Public transport usage	Hong Kong	Paris

Detailed Analysis

Economic Output

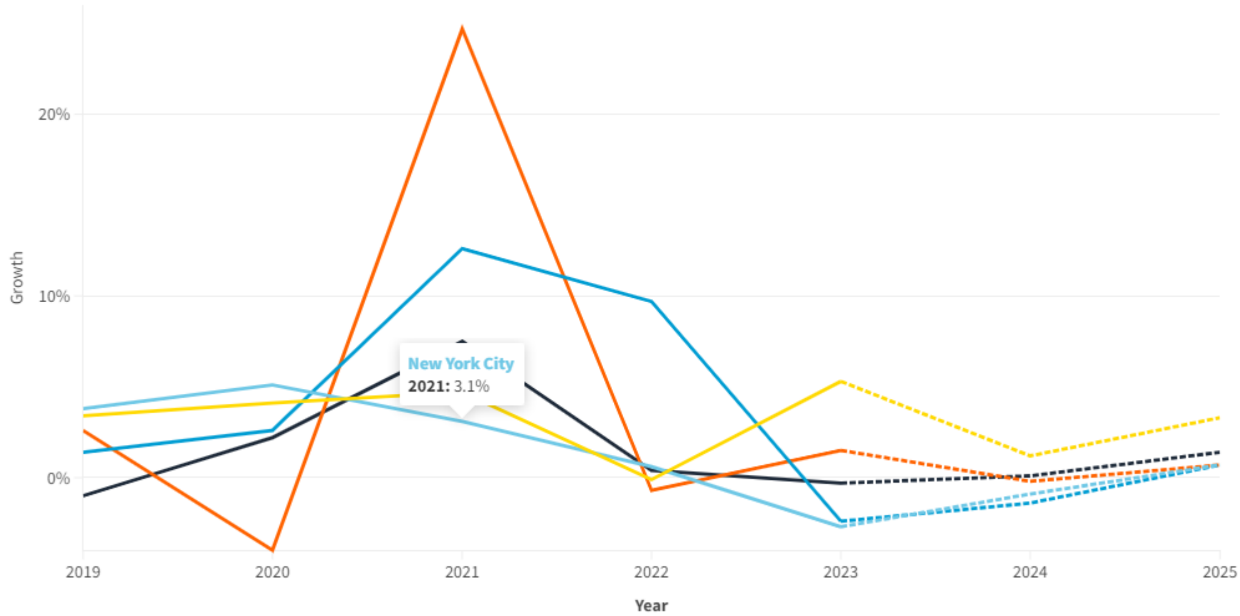




Financial & insurance activities

Year-on-year change in output

Inner London Paris Berlin New York City Hong Kong

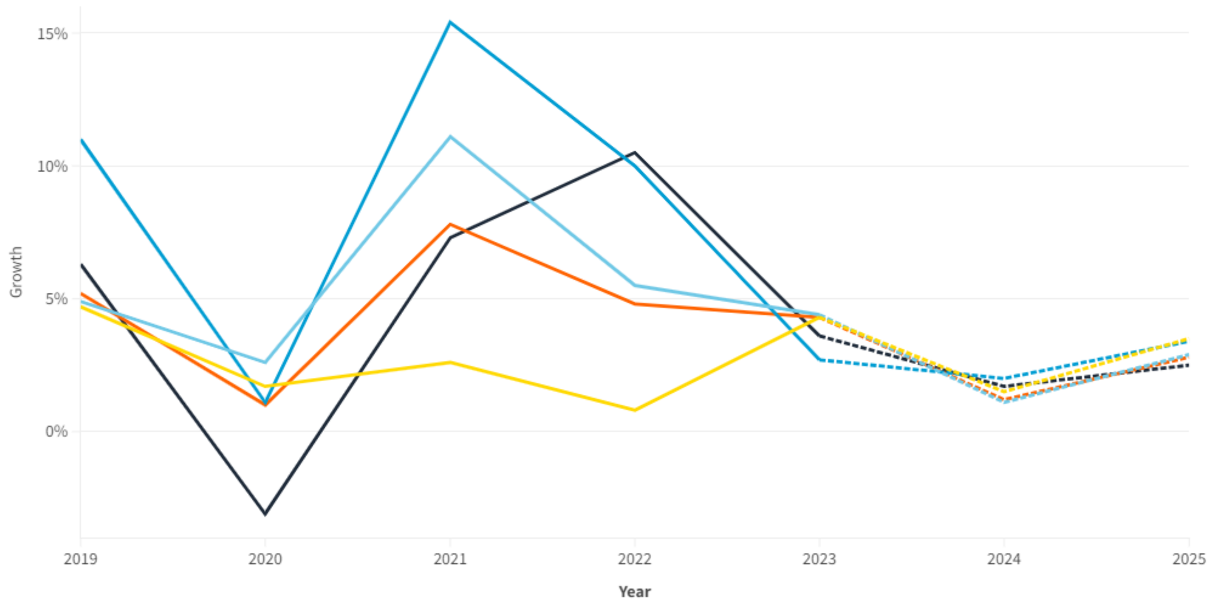


Source: Oxford Economics

Information and communication

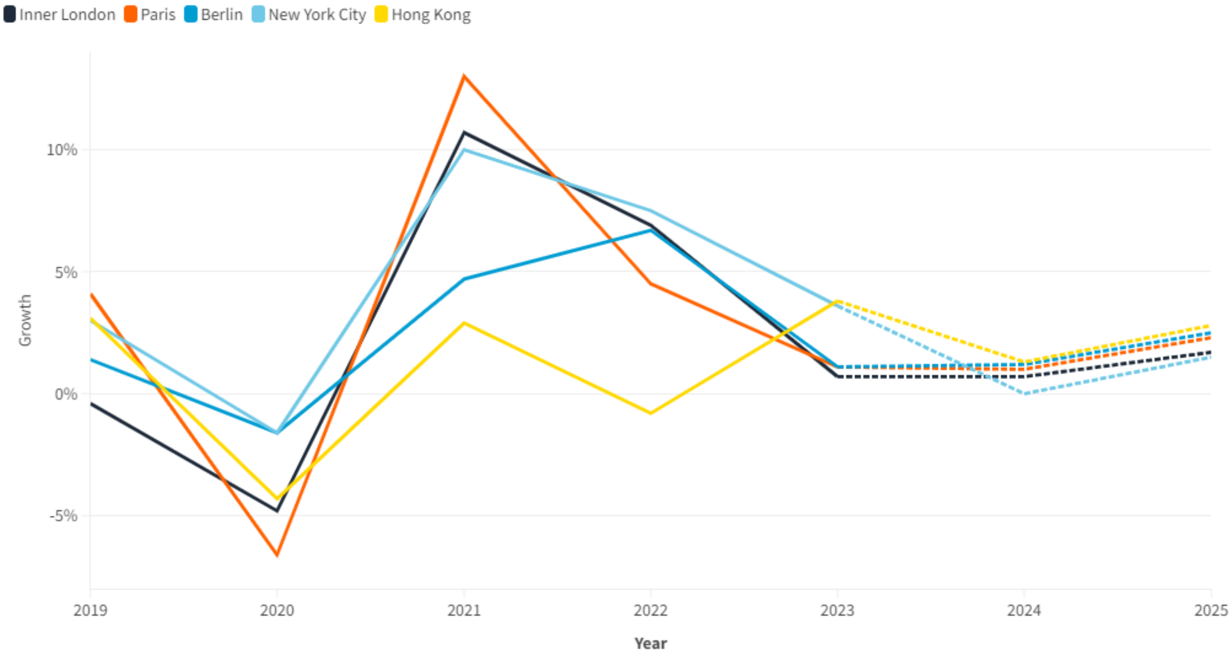
Year-on-year change in output

Inner London Paris Berlin New York City Hong Kong



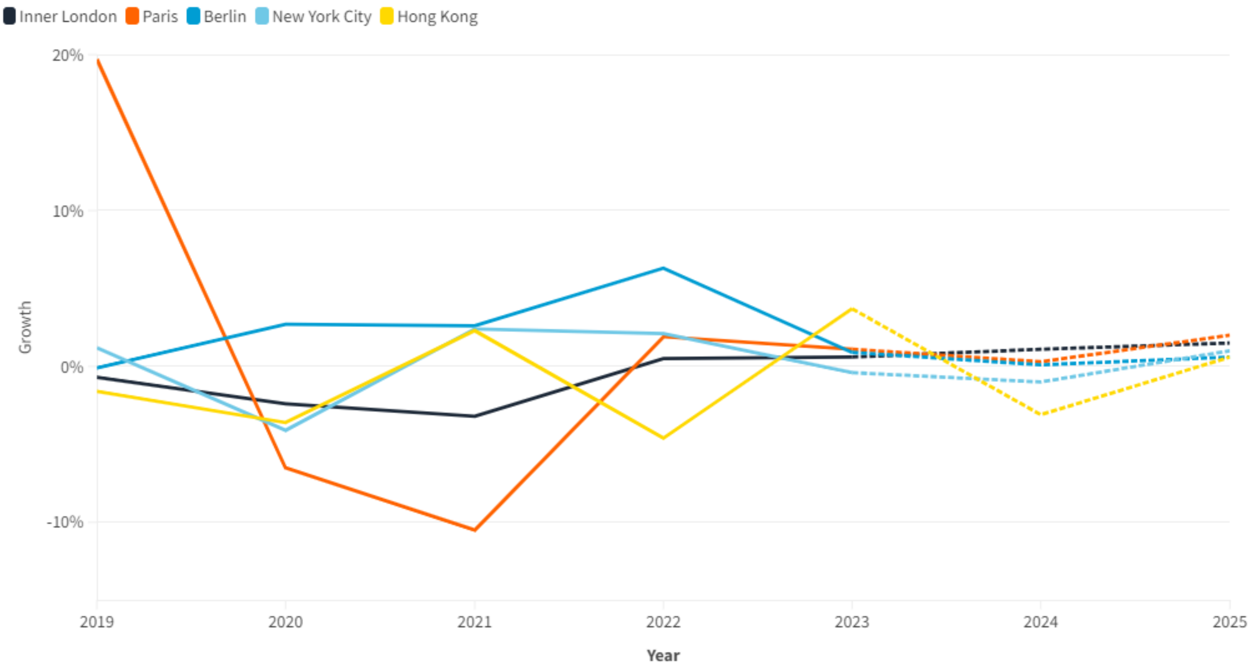
Source: Oxford Economics

Professional, scientific and technical activities
Year-on-year change in output



Source: Oxford Economics

Real estate activities
Year-on-year change in output



Source: Oxford Economics

Inner London where most economic activity in London is centred is estimated to end up with the second slowest growth rate of our sample cities in 2023, with annualised rate of growth below 1%. Hong Kong, which suffered a severe recession in 2022, will see growth bounce back to almost 4% - the strongest of any of our cities. Meanwhile, Berlin trails the field at just 0.4%, albeit better than a country-wide figure of -0.1% growth in Q3 2023.

London is set to perform worst of our cities in a key sector – that of professional, scientific and technical activities, which makes up more than 10% of city-wide output. Growth in 2023 is forecast to end the year just above the 0% mark, while Hong Kong sees growth jump to 3.8%. For all of our cities, 2024 is forecast to see a notable slowdown in economic prosperity before growth returns with a bit more momentum in 2025. Notably, London will not see the highest growth of our sample in any key economic sector.

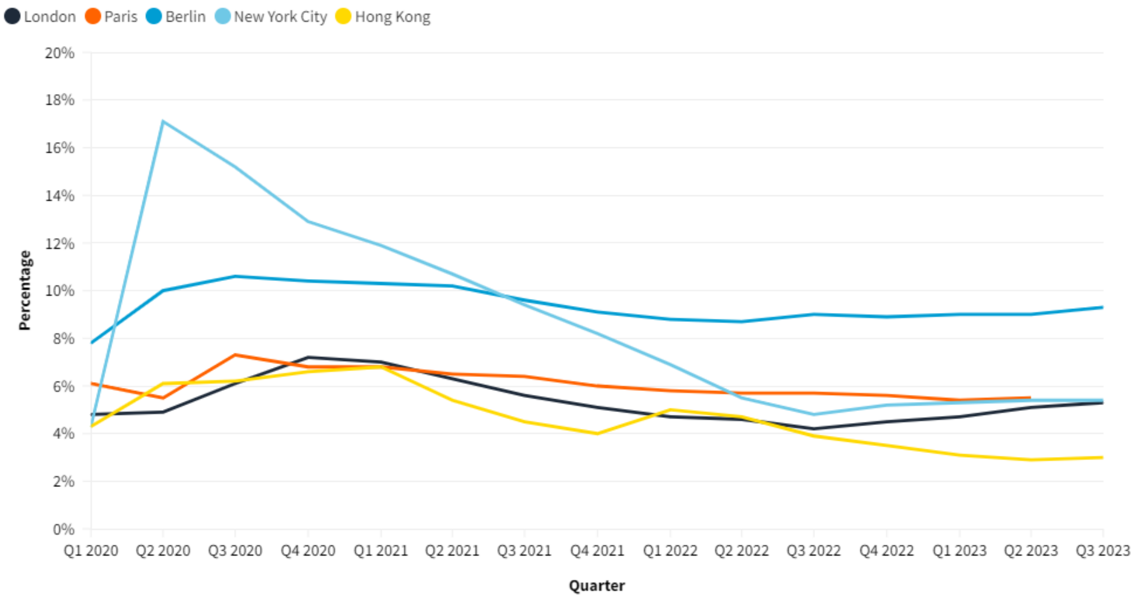
London's lacklustre economic performance comes amid a wider gloomy economic picture in the UK. October data showed that real GDP experienced recorded no growth in the three months up to October 2023, on the three months to July, entailing an annual growth rate of just 0.3%. Retail sales, usually buoyed up by Black Friday and Christmas, have struggled, due no doubt in part to anxious customers with lower disposable incomes. Whilst now on a (largely) downward trajectory, the UK's uniquely high inflation rate among our sample countries, is an important factor in these headwinds. Across all sectors, the UK saw slightly higher than expected readings from flash PMI data, which tracks output, suggesting we will narrowly avoid recession albeit at anaemic levels of growth.

Further afield, New York City's relatively rosy 1.67% growth rate in 2023 perhaps disguises poor output figures in the financial and insurance sector, which is set to shrink by 2.7% in 2023 and only return to growth in 2025. After financial instability of earlier in 2023, when rising interest rates caused the collapse of several mid-sized American banks, the value of many bank-held assets had continued to decline, requiring further funding, which has sparked fears of further disruption if rate cuts are not forthcoming.

Aside from Berlin, our forecasts provided by Oxford Economics suggest that all of our cities will see growth slow in 2024, followed by a recovery in 2025, as the headwinds of the inflationary spiral and subsequent interest rate hikes lessen. The German capital, on the other hand, would appear to have seen its nadir in output in 2023, and is set to enjoy consistent growth over 2024 and 2025.

Unemployment

Unemployment rate



NY Department of Labor • Census and Statistics Department Office for National Statistics, INSEE, Arbeits Agentur Deutschland • London uses the Labour Force Survey's headline indicators, rather than Claimant Count, to meet ILO standards. French data is not currently up-to-date. None are seasonally adjusted to maintain consistency, so may be influenced by cyclical factors.

The last quarter has seen marginal growth in unemployment in London, Berlin and Hong Kong. For London, the recent increase to 5.3% is a continuation of a trend we have seen throughout 2023. Quarter-on-quarter increases in unemployment have been recorded since the last low of 4.2% in Q3 2022. London also continues to have a higher unemployment rate than any other region in the UK. The wider slowdown of the UK's labour market, demonstrated below/overleaf in falling job vacancies, perhaps represents the beginning of the end of the pandemic-era 'hot' market for workers that forced wages up.

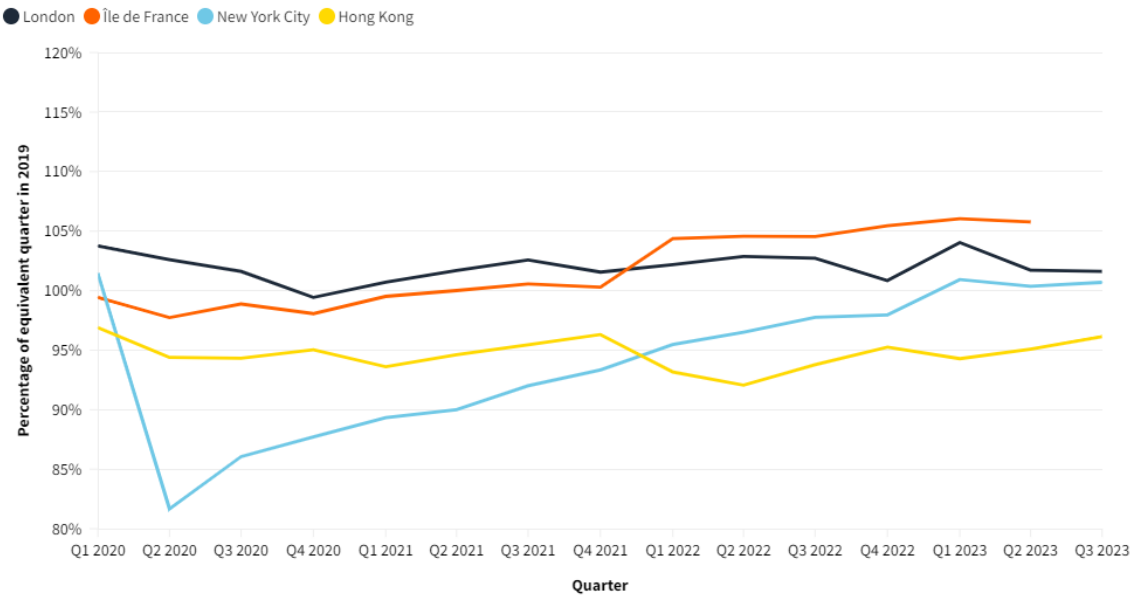
Berlin is however, performing worse. At 9.3% the unemployment rate was three times higher than Hong Kong, and just less than twice as high as London, New York or Paris in Q3 2023. Long-term failures to increase labour productivity are a major source of the capital's weak labour market, which suffers from the highest unemployment rate of any state in Germany.

By comparison, the recent marginal growth in the unemployment rate in Hong Kong from 2.9% to 3.0% is set in the context of long-term decreases since Q1 2022. Hong Kong has by far the lowest unemployment rate of the five cities.

New York City has experienced a slight decrease in unemployment, down from 5.5% to 5.4%. The rate is still higher than this time last year when unemployment was just 4.8%. Meanwhile in Paris, where the latest available data is for Q2 of 2023, unemployment has remained comparatively stable for the past year.

Employment

Recovery of employment



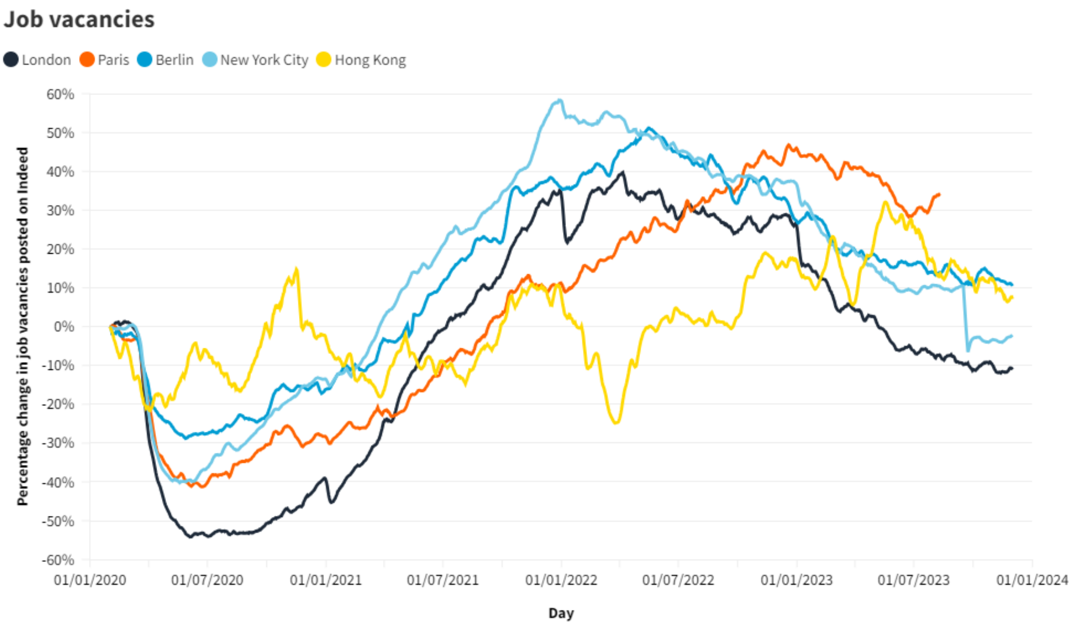
Office for National Statistics, INSEE, New York State Department for Labor • The Government of The Hong Kong SAR.
Berlin data unavailable. Only Île de France data available (not updated for Q1 2022). London uses the Labour Force Survey

Compared to a pre-Covid (2019) benchmark, Q3 2023 employment remained slightly higher in London but growth has flatlined. Although London has seen a long-term decrease in economic inactivity, rates rose by a percentage point over 2023, while staying mostly flat, on average, across the UK. Only Wales, Northern Ireland, and Yorkshire and the Humber had higher rates when data was last released in summer 2023.

Although New York's employment rate has grown fast from its 2020 nadir, and surpassed 2019 levels at the start of 2023, growth has flatlined. Repeated interest rate rises may well be a causal factor in a city with a large proportion of jobs in finance, technology, and real estate – many of which have been impacted negatively by the rising cost of credit.

In Q2 2023, Ile de France (the region encompassing Paris) continued to show the strongest recovery of any of our cities, but at the time of writing had not yet posted data for the third quarter of 2023.

Job Vacancies

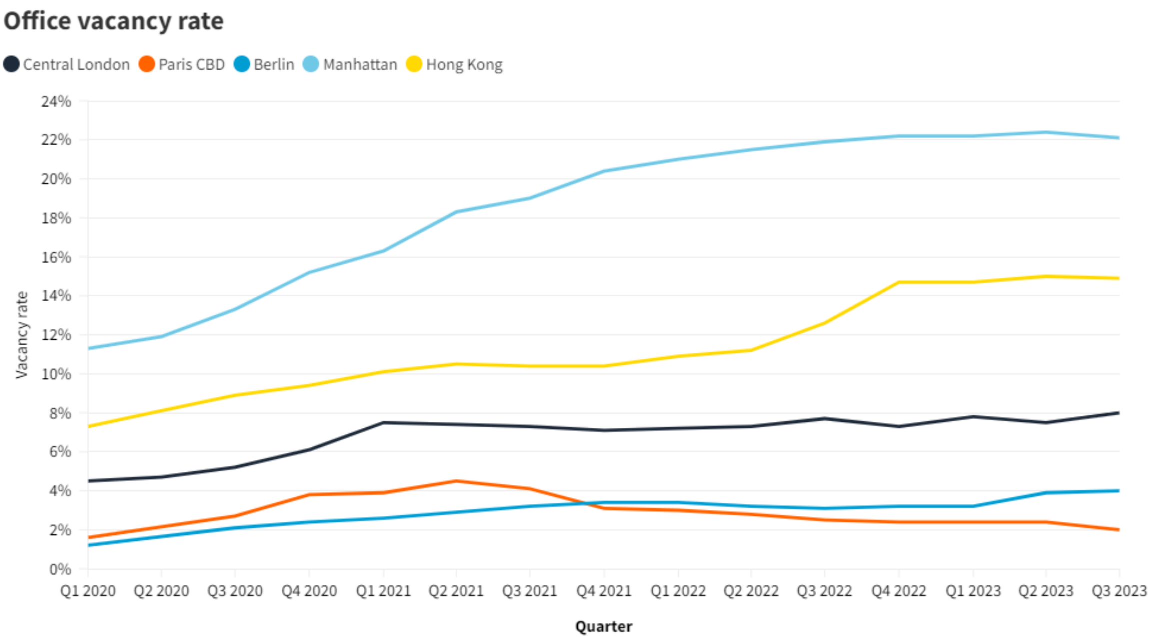


Source: Indeed • Data shows number of job vacancies posted on Indeed compared to pre-pandemic (01/02/2020) for Greater London, the Paris region, the Berlin region, New York metro area and Hong Kong.

London's labour market continued to weaken with job vacancies at the end of November more than 10% below pre-pandemic figures. This continuing fall in demand for labour illustrates a significant loosening of the city's labour market also seen in growing unemployment, as the effects of interest rate rises and high inflation reduce demand for services. Across the UK, the ONS has continued to record the longest consecutive run of quarterly falls in vacancy rates on record.

In New York City a September 2023 pay transparency law, which required all job postings to include salary information meant that all non-compliant adverts were made invisible on the *Indeed* vacancy website. At least partly as a result, vacancy rates dropping from 10% above pre-pandemic levels to 6% below in a matter of weeks. Due to methodological issues, data from Paris has not been updated in this edition.

Office Vacancy Rates



Source: Avison Young, BNP Paribas IDF, BNP Paribas Berlin • Cushman Wakefield • Colliers
In Q1 2020, BNP Paribas did not produce European editions of its quarterly update, we instead used: Knight Frank: London • Colliers: Paris• Savills: Berlin Only available NYC data is Manhattan-specific, hence the divergence. The data for Berlin and Hong Kong encompasses the whole of both cities, which may influence rates.

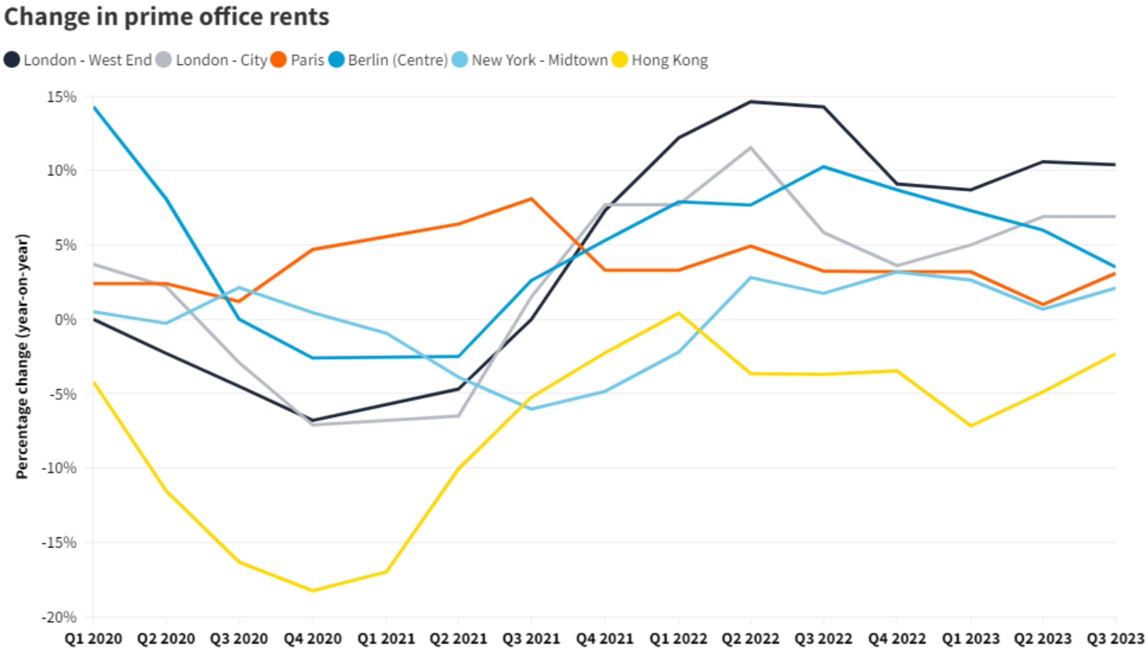
Manhattan's office vacancy rates had been increasing quarter-on-quarter since the start of 2020, but the latest data signals a potential slowing of this trend. The proportion of offices in Manhattan that are vacant dropped very slightly to 22.1% in Q3 of 2023, but overall remain substantially higher than in our other cities. According to analysis from JLL, legal firms are playing a part driving this modest reversal in trends – accounting for a substantially greater proportion of leasing activity than in previous years.

Hong Kong, which experienced substantial increases in office vacancy up until Q4 2022, seems to have stabilised in the last year. Rates decreased slightly in Q3 2023 to 14.9%.

Central London's vacancy rate has increased from 7.5% to 8.0% – the highest it has been since Q1 2020 (7.5%). Vacancy rates jumped the most this quarter in the South Bank (from 6.9 to 8.4%) but remain highest in east London (11.7%) and the City (10.4%). The West End continues to have the lowest vacancy rates at just 4.2%.

Berlin's vacancy rate is also at its highest since 2020, now at 4%. Meanwhile Paris CBD continues to decrease to 2%, less than half the peak rate of 4.5% recorded in Q2 2021.

Prime Office Rents



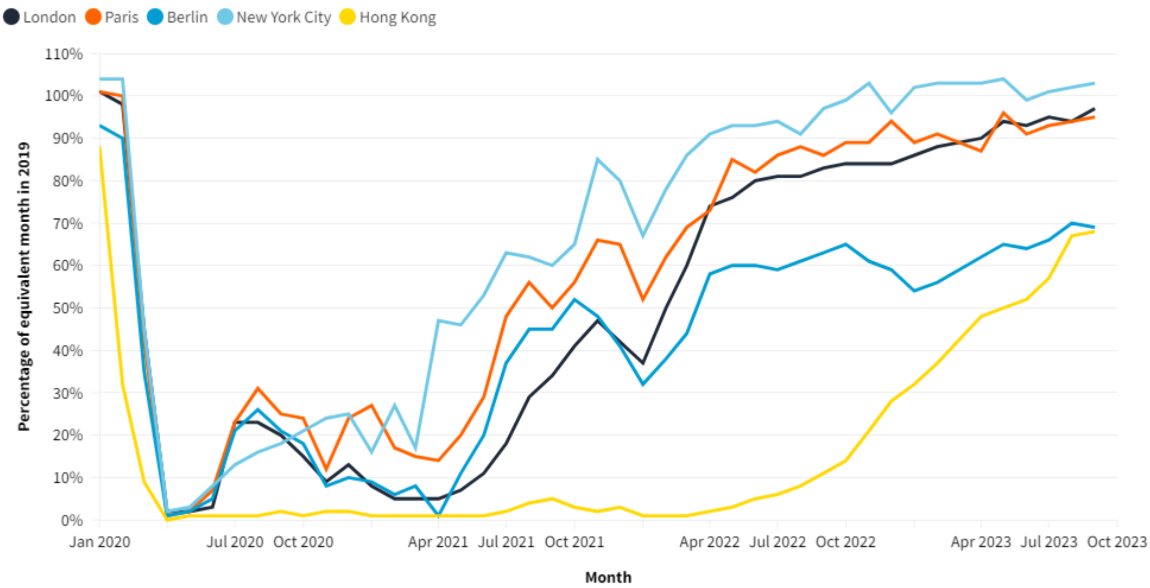
Source: Cushman and Wakefield - DNA of Real Estate (Europe), Cushman and Wakefield - DNA of Real Estate (Manhattan), Private Retail - Rental and Price Indices (from 1978), from the Ratings and Valuation Department of the HKSAR Government • Data show percentage change in Prime Rent. No consistent historical data available

Prime office rents are beginning to recover, year on year, across most of our global cities. London's West End is still the most buoyant market of our sample, with Q3 2023 showing growth rates of over 10% (nominal). Even in Hong Kong, where year-on-year change is still negative, the third quarter saw the lowest fall in rent since the start of 2022 (-2.3%). If trends since the start of 2023 continue, next quarter will see the city-state's first quarter of growth since 2022.

Despite extraordinarily high vacancy rates across Manhattan (noted above), Midtown is still seeing moderate growth in prime office rents, most likely due to the quality of 'prime' rentals, amid a market where lower quality spaces are suffering from price markdowns and vacancies.

Airport Passenger Demand

Airport passengers



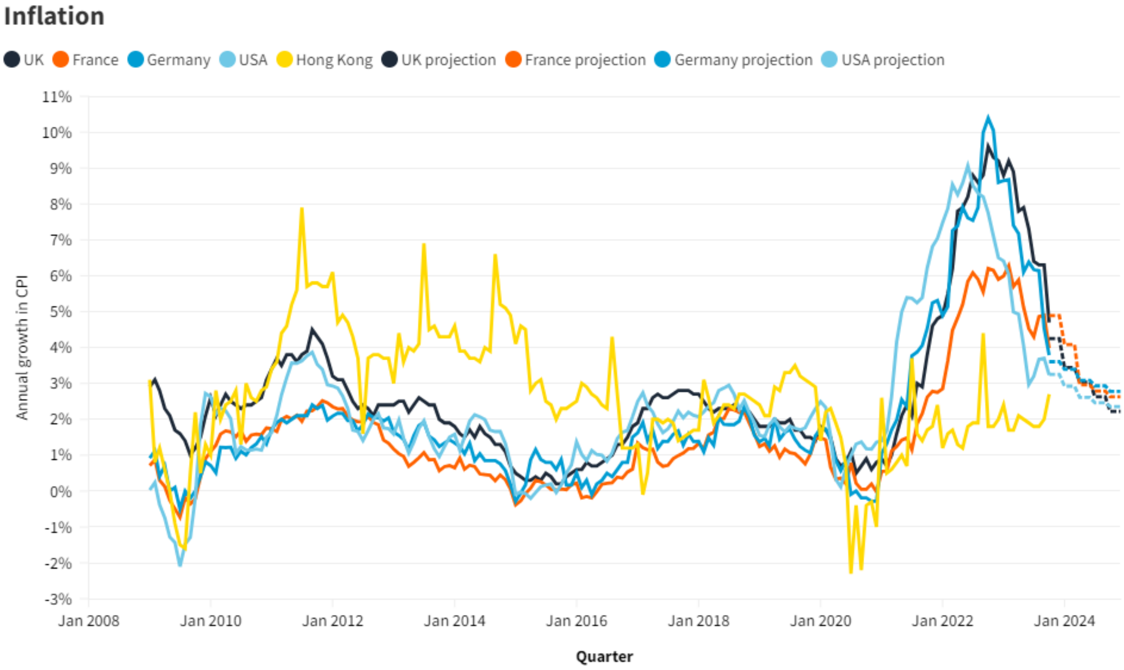
Civil Aviation Authority, Paris Aeroport, Berlin Airport • Port Authority of NY and NJ, Airport Traffic Statistics • HK International Airport
Percentage of equivalent month in 2019. London Airports are defined here as Heathrow, Gatwick, Stansted, Luton, Southend, and London City. Paris Airports are defined as CDG and Orly. Berlin Airports was defined as Schönefeld, Tegel, and Tempelhof before 31/10/2020 and has been defined as Willy Brandt since then. New York City Airports are defined as LaGuardia, JFK, and EWR.

New York remains the only city in our sample to have exceeded its pre-pandemic levels of air traffic, hitting 103% of 2019 passenger numbers in September 2023.

Hong Kong's recent recovery following a long period of low passenger numbers has slightly plateaued in recent months, but its figures relative to 2019, have seen a substantial increase in recent months bringing the city state close to Berlin in our league table. This strong performance has contributed to growing retail sales in Hong Kong this winter, with especially large rises in the sales of luxury gifts.

London's recovery is closely tracking that of Paris and is now hovering slightly below 2019 levels. Given that several factors are thought to have put downward pressure on tourism figures, such as the end of VAT-free shopping for non-EU travellers and new requirements for passports from EU citizens, this represents a strong recovery for the city's aviation and tourism industry.

Inflation



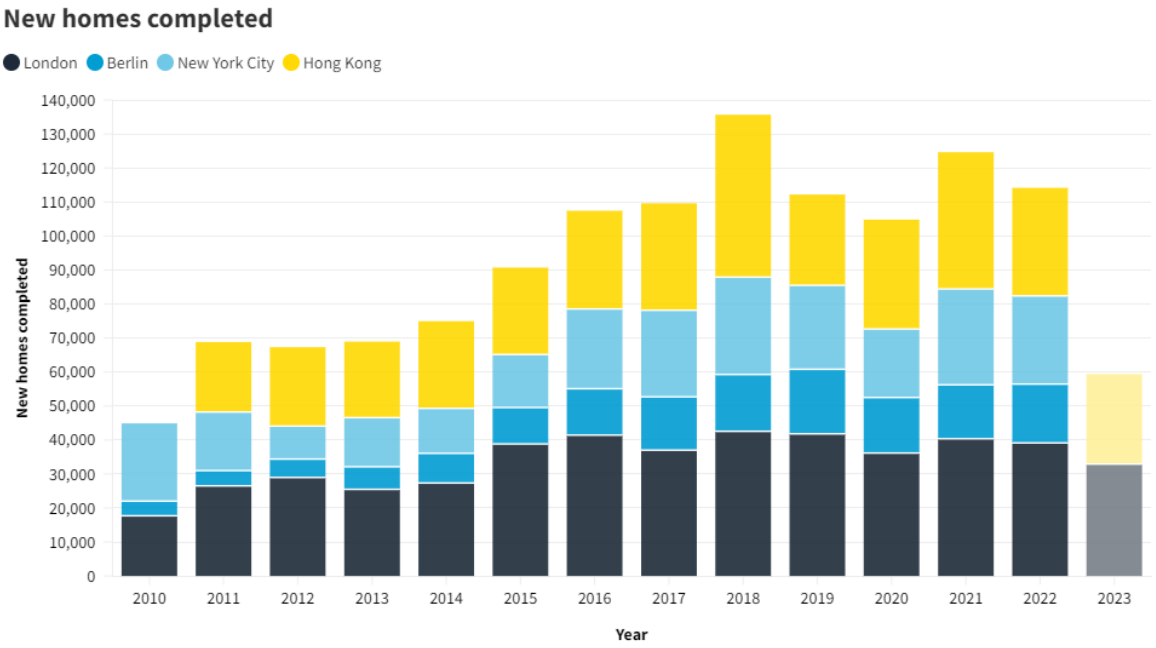
OECD, HK Census and Statistics Department, OECD • 2023 and 2024 data is projected on a quarterly basis.

Inflation rates have fallen considerably through 2023 across the countries we track, except for Hong Kong where it remained relatively low throughout the year. The UK is suffering from the highest inflation rate, at almost a full percentage point above that of Germany. Wage growth also remains higher than in the US or euro area, according to Indeed analysis, although it has begun to fall. This decrease has most likely fed into the Bank of England's recent decision to hold interest rates at 5.25% for three consecutive Monetary Policy Committee meetings. This still represents the highest cost of borrowing for some 15 years in the UK and is likely to remain elevated until service sector inflation begins to fall.

Although Hong Kong (which did not suffer the inflationary shock caused by the Russian invasion of Ukraine) still boasts the lowest interest rates of any of our jurisdictions, the tide is turning. From a deflationary spiral in the pandemic-ridden summer of 2020, inflation has begun to climb in recent months, with almost a full percentage point increase between August and October 2023. Government analysis explained the increase by reference to the expiration of several tax and public housing rent concessions.

With inflation at 3.2% and a falling unemployment rate of 3.7%, the United States appears close to achieving a fabled 'soft landing' – an impeccable return of inflation to target rates without large increases in unemployment and associated economic scarring.

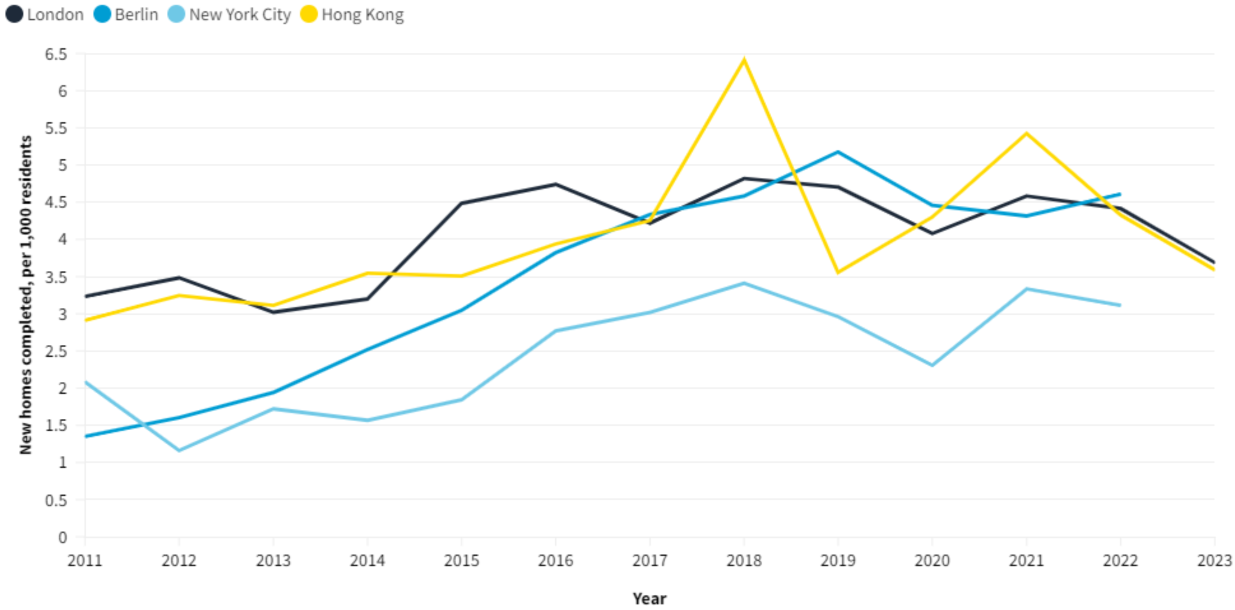
New Homes Completed



UK Government, Berlin Brandenburg, New York City Department of City Planning • Transport and Housing Bureau, Government of Hong Kong SAR • Hong Kong Housing Authority
London data calculated from domestic Energy Performance Certificates issued for new dwellings (including new builds, conversions, and change of use). Hong Kong data combines private, public, and homes for subsidised rent construction. Île-de-France only tracks authorisations and new starts, so not comparable. 2023 data for London and Hong Kong is linearly projected.

In 2022 the number of new homes completed across our five global cities fell as against 2021 (housing completion data is usually provided with a significant time lag). Completions in London, New York and especially Hong Kong, dropped amid slowing public construction rates. If current rates of completions continue, both London and Hong Kong will see significant falls in 2023, each producing between 5,000 and 6,000 fewer homes than in 2022.

New homes completed, per 1,000 residents



DLUHC, Statistik Berlin Brandenburg, New York City Department of City Planning • Transport and Housing Bureau, Government of Hong Kong SAR • Hong Kong Housing Authority • Office for National Statistics • DeStatis • St Louis FRED • Census and Statistics Department, Hong Kong
London data calculated from domestic Energy Performance Certificates issued for new dwellings (including new builds, conversions, and change of use). Hong Kong data combines private, public, and homes for subsidised rent construction. Île-de-France only tracks authorisations and new starts, so not comparable. 2023 data for London and Hong Kong is linearly projected.

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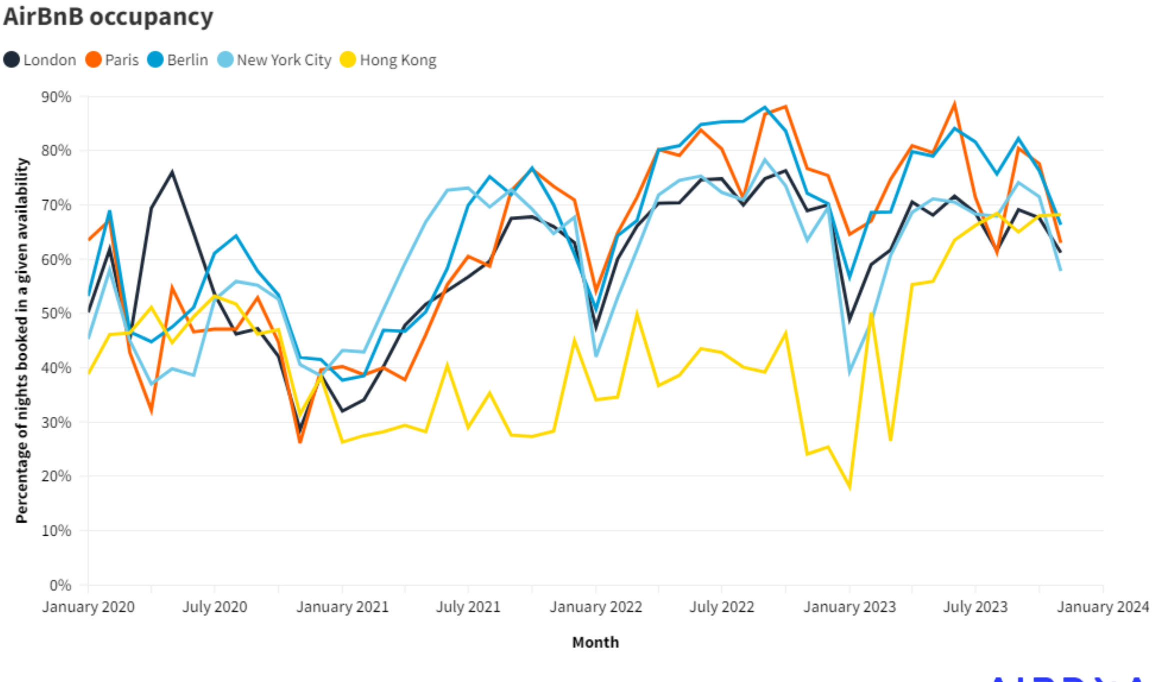
When calculated as homes completed per 1,000 residents, 2022 saw Berlin post the strongest performance. The city's comparatively diminutive size and steady growth in delivery rates over the mid-2010s resulted in a ratio of 4.6 new homes per 1,000 residents in 2022 – slightly above London's 4.4. New York's population-adjusted record of completions stands out as the worst of any of cities, at just over 3 per 1,000 – arguably the major cause of the city posting the second worst ratio of median rent to median household income of the 25 largest cities in the United States. RAND analysis explains recent declines as, among other things, the result of the expiration of a major tax credit for multi-family developments, alongside stringent zoning and regulatory constraints.

Airbnb Occupancy

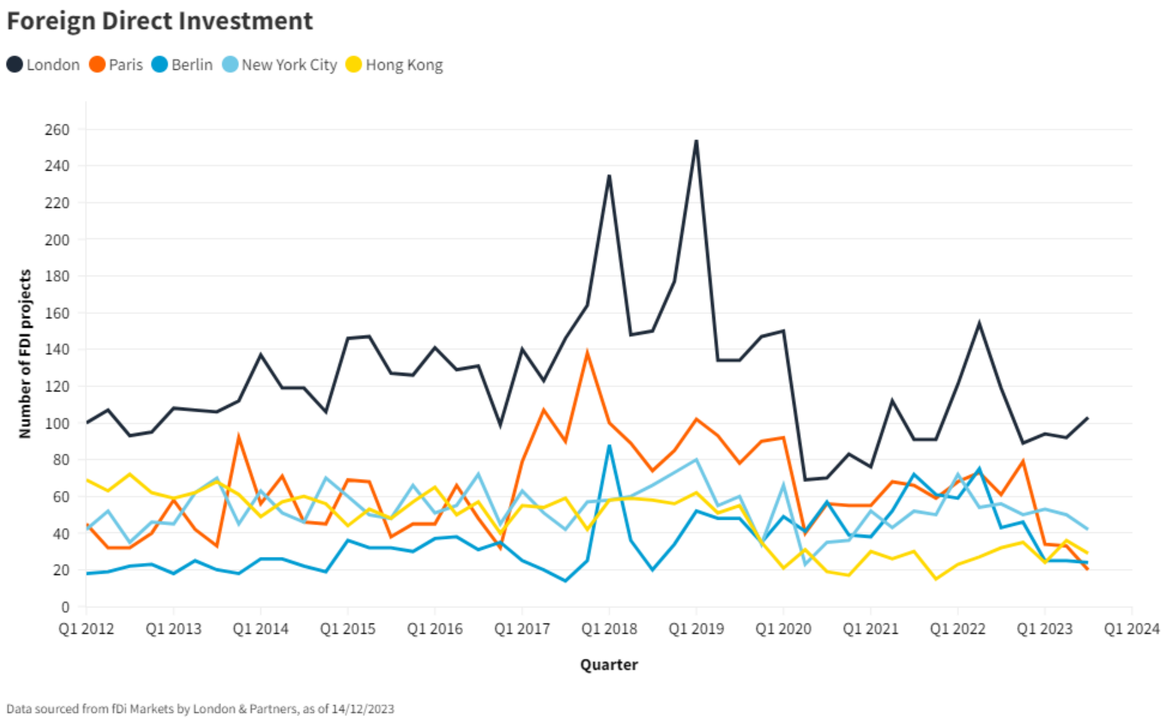


Source: AirDNA • Historic data has been refreshed in December 2023, due to modifications to data methodology.

Other than in Hong Kong (which has seen a major recovery), the proportion of Airbnb listings that are occupied is falling in all of our global cities, following a seasonal pattern visible each year. The Hong Kong Tourism Board registered an increase in visitor arrivals of over 4,000% between October 2022 and October 2023, the vast majority of which came from mainland China. However, visitor numbers remain significantly suppressed compared to pre-pandemic figures.

After a new regulation, Local Law 18, effectively banned short-term lets in New York City in September, occupancy rates have trended downwards, as visitors stayed away. However, sharply falling supply has maintained headline occupancy rates. Some 94% of listed properties are only advertised for bookings of 30 days or more, circumventing the ban.

FDI Investment



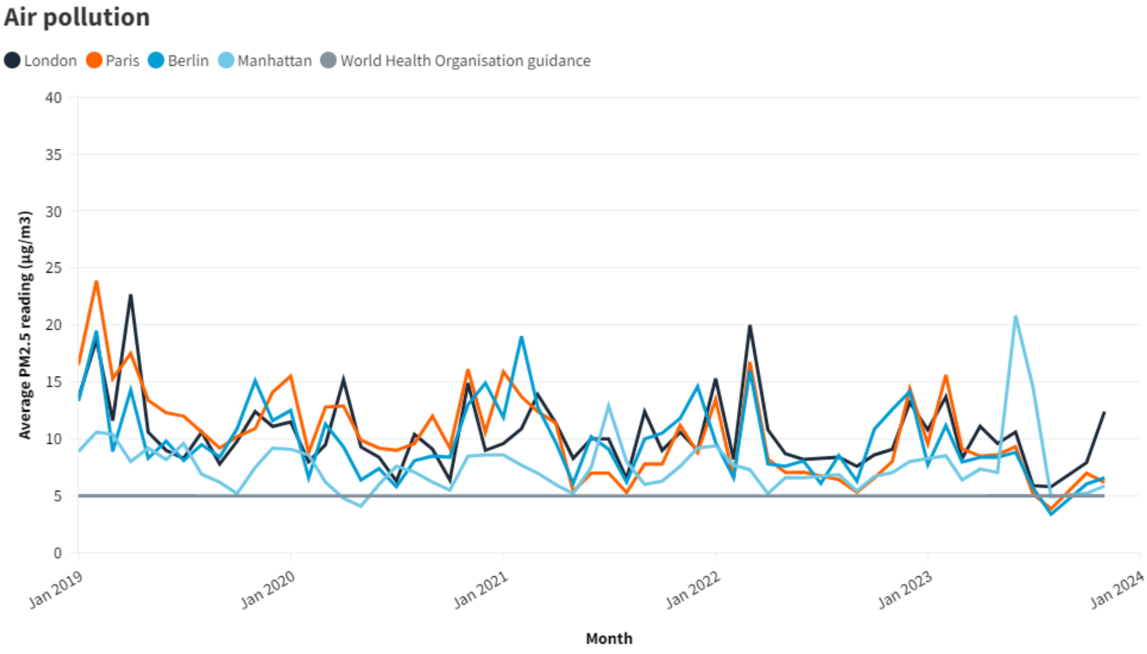
London remains the beneficiary of the most FDI projects of any of our cities. While every other global city in our sample has seen project numbers decline sharply over 2023, the UK capital welcomed 103 projects in Q3 2023 – 14 more than it did at its nadir at the end of 2022. Newly published data from the GLA show these projects were worth £1.3bn in capital expenditure.

This comes amid news of London retaining its status as the top FDI recipient in Europe, with London & Partners reporting a 40% annual increase in the number of jobs created by FDI in the capital. International technology firms have played a major role in the city's successful figures, which accords with output projections from Oxford Economics for full year 2023 of 3.5% growth for the information and communication sector.

London & Partners has found that the total foreign investment into London's climate tech sector last year was a stagging 77% higher than in 2022, creating a three-fold increase in those jobs.

Paris has been particularly affected by a wider European slowdown in FDI, with only 20 projects registered by FDI Markets in the third quarter of 2023, while New York has seen relatively stable figures in the region of 40-50 projects continue into late 2023.

Air Quality



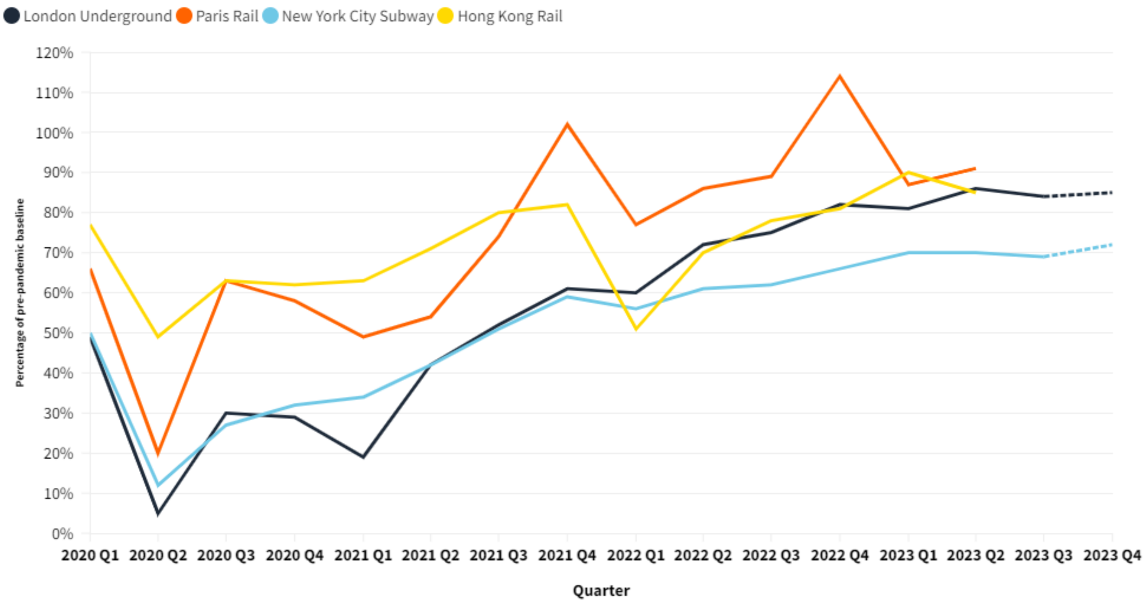
Source: Berkeley Earth • PM2.5 readings track any particles smaller than 2.5 micrometres in diameter in the air. This data is a monthly average. The World Health Organization's guideline for air quality is 5µg/m3 averaged across a year. Within New York, only data for Manhattan is available, so results are not directly comparable with other cities.

Air pollution in London is rising fast, hitting 12.4 PM2.5 in November 2023, the second highest it has been all year. The capital's air currently has more small particulate concentrations than any of our other cities, at least half of which are caused by road vehicles, despite the extension of the Ultra-Low Emissions Zone earlier in 2023.

None of the cities for which we have data are currently meeting the World Health Organisation's guidance for air pollution. After many years of debate, this trend, along with crippling congestion, has prompted New York City to implement its first congestion pricing system in 2024. This would see cars entering Manhattan charged $15 or more below 60th Street which will be used to fund capital investment into the city's Metropolitan Transit Authority.

Public Transport Usage

Public transport usage



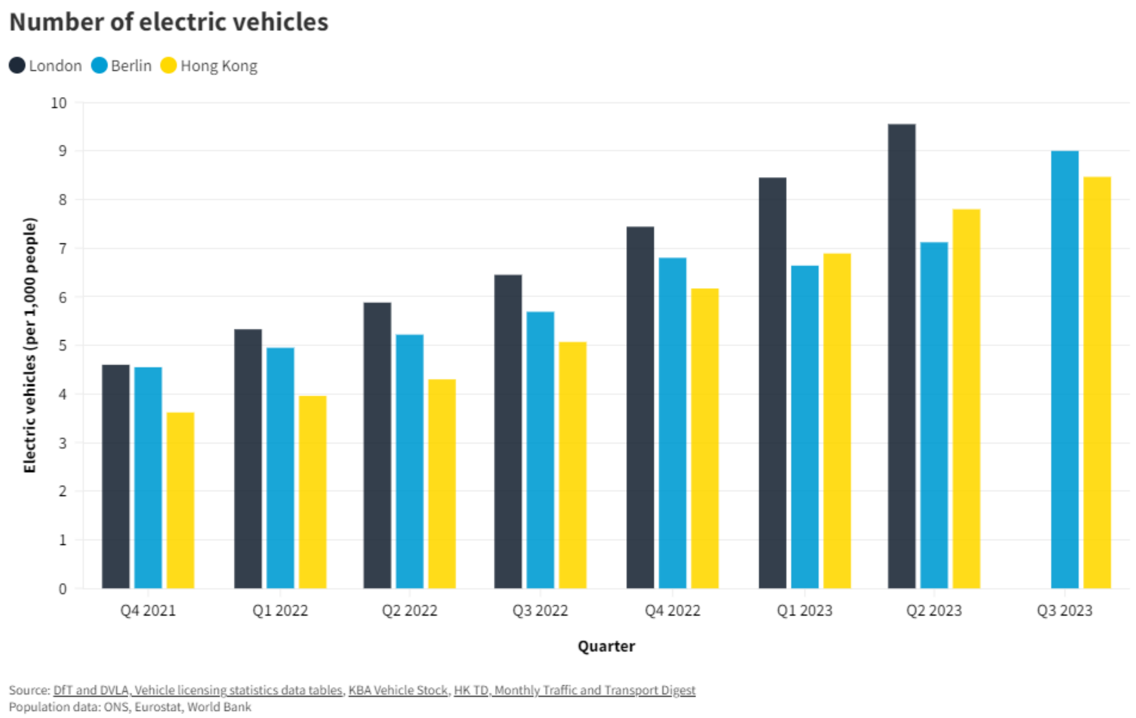
DfT, Transport use during the coronavirus (COVID-19) pandemic, Open Data Paris, Quarterly Travel Barometer, MTA, Day-by-day ridership numbers • HKTD, Monthly Traffic and Transport Digest
Q4 data for London and New York is projected, based on data up to early December.

Amongst those cities to have released recent data, London has seen the strongest recovery. However, this has begun to plateau, due in part to the continuation of Tuesday-Thursday in-person working patterns limiting the scale of a recovery in passenger numbers.

Use of the New York City subway continues to grow too (albeit slowly), with numbers slated to exceed 70% of pre-pandemic figures for the first time since the onset of COVID-19 in Q4 2023. In Hong Kong, Q2 2023 matched London but the timing of data releases mean at the time of writing, we cannot judge performance for the second half of 2023.

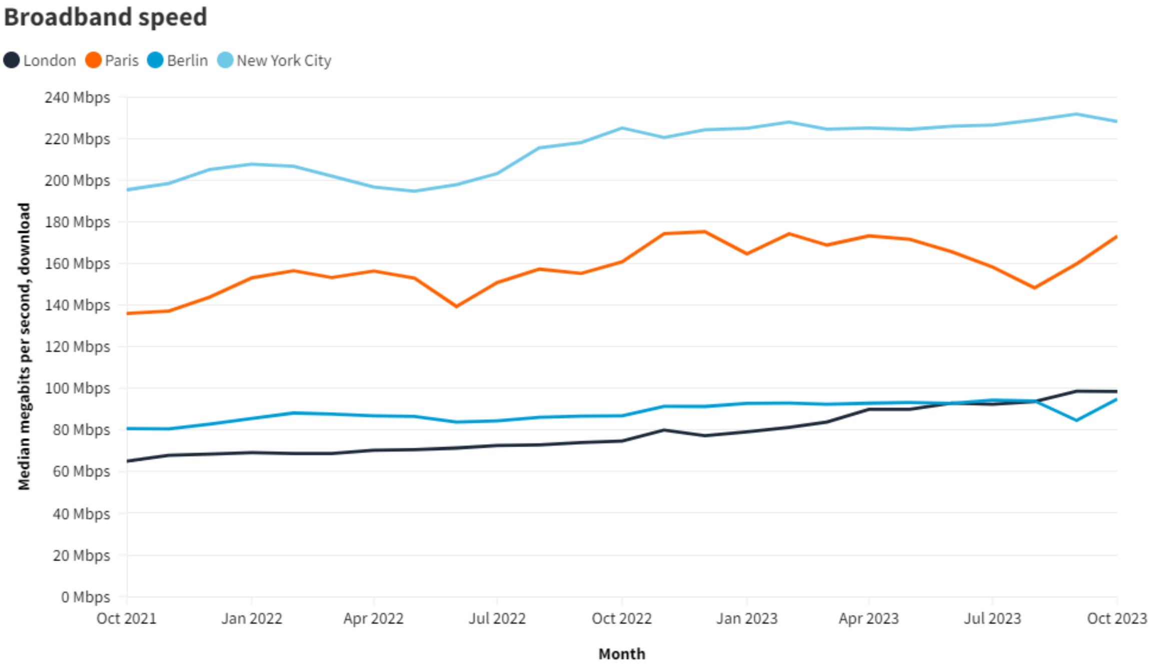
Paris Q2 2023 data saw the *City of Light* achieve ridership levels equivalent to 91% of pre-pandemic figures, the strongest of any of our cities. (Later data was not available at the time of writing.) The city's mayor has expressed concern that new public transport links will not be 'ready' for the influx of visitors brought by the 2024 Olympic Games.

EV Ownership



Ownership of electric vehicles continues to climb across our cities. Per 1,000 residents, London recorded 9.6 EVs in Q2 2023, the most of any tracked city, but it has not released more recent data. Of those that have, Berlin performs best, at 9.0 per 1,000 people. Hong Kong remains behind, at 8.5, which is likely driven by extremely low overall car ownership, at only 109 cars per 1,000 people, as against Greater London's ratio of around 280 per 1,000 people. The city state's unusually car-free population can be explained by referenced to its small land area, exceptional public transport system, and very high taxes and costs on owning a private vehicle.

Broadband Speed



Source: Speedtest Global Index

London has overtaken Berlin, which now has the slowest fixed broadband speeds of any of our global cities. Paris' sudden fall in speeds in late summer 2023 has been reversed, while New York City continues to enjoy broadband more than twice as fast as that in London.

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