London Property Alliance

Global Cities Survey

London Property Alliance

WPA | CPA

Westminster Property Association | City Property Association

October 2022

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.

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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

This is the fourth quarterly Global Cities Survey launched by the London Property Alliance (LPA) with research undertaken by Centre for London. It covers the period April-June 2022 for some measures but up to September drawn from other "real time" sources where they are available. Our analysis aims to promote a better understanding of London's (largely economic) performance on the world stage as global cities emerge and recover from the Covid-19 pandemic. Comparisons are made with New York, Paris, Berlin and Hong Kong.

As the UK's leading world city, London is competing for talent, private sector investment and visitors at a global level. Having said this, the capital city acts as a gateway to much of the rest of the UK for these same things. Along with our other cities, London is now being affected by factors such as the global shock in energy prices, high inflation, a falling pound and rising interest rates. The London Property Alliance considers that London can only play its full role in national recovery when it is performing strongly and on the international stage. We hope that this report provides meaningful insight into how London is faring, and that policy makers and business can use it to make better decisions on many of the issues that affect London's ability to prosper over the short, medium and longer term.

Executive summary

Below we highlight a small selection of some of the indicators included in the survey.

- Compared to our four global cities, London is doing well on:
    - Employment: In Q2 2022, London's employment numbers were 3% higher than in 2019 – a stronger recovery from Covid-19 than Paris, Berlin, New York or Hong Kong.
    - Prime commercial rents: Rents for prime office stock have continued to grow despite a slight increase in commercial vacancy rates. Grade A office space in London's West End is experiencing double digit growth in rental prices year-on-year, with 12.2% rises in Q1 2022 followed by 14.6% in Q2 all figures are nominal).
    - Foreign Direct Investment: London continues to attract more Foreign Direct Investment projects than competitors, and the number of projects is picking up (but it is still down from pre-pandemic levels).

- All cities are struggling with retail demand – visits to London shops have remained roughly constant since Spring 2022, at around 25% below their 2019 level.

- Office working and station demand levels (measured in terms if visits) are generally lower in London than in our comparator cities, at 36% and 33% below their respective pre-pandemic levels.

- However, visitor numbers into London by air including business travel, have recovered more quickly than was perhaps initially expected, reaching around 80% of pre-pandemic travel in June of this year.

The table below summarises trends from the latest available data, and London's position compared to its competitors.

Latest trends and London's position compared with other cities

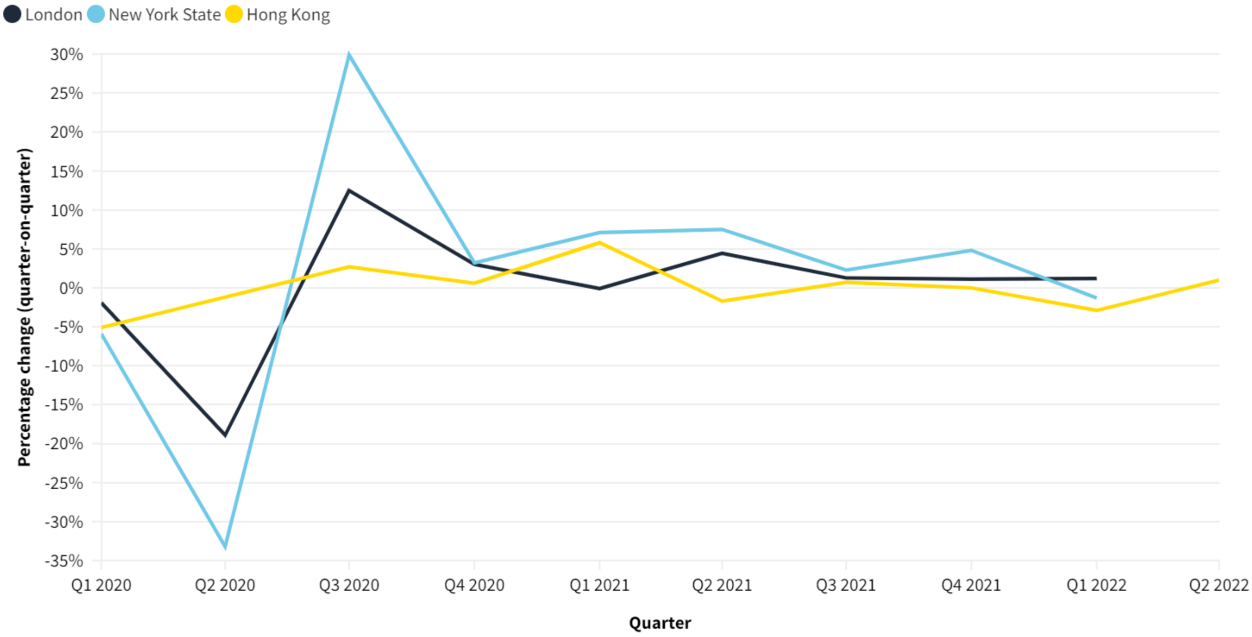
Indicator[1]	London's position one year ago	London trend in most recent data
GVA	Average	↓
Unemployment	Lower than average	↓
Employment	Higher than average	↑
Job postings	Average	↔
Office vacancy rates	Average	↑
Prime commercial rents	Average	↑
Retail visits	Average	↔
Workplace visits	Lower than average	↔
Station visits	Lower than average	↔
Airport passengers	Lower than average	↓
Airbnb occupancy	Lower than average	↑
Restaurant bookings	Average	↔
Foreign Direct Investment (no of projects)	Higher than average	↑
Air pollution	Higher than average	↓/↔

[1] Note: Measures where comparable data was insufficient or no city-level data was available have not been included in this table.

Detailed analysis

Economic output

Change in economic output



Office for National Statistics, U.S. Bureau of Economic Analysis, Moody's
Changes in output measured in quarter-on-quarter percentage. London uses real GVA figures at basic prices based on the Office for National Statistics' experimental model for early regional output estimates. Only New York State GDP available. Data for New York and Hong Kong is GDP. All data is in real terms. London data is not seasonally adjusted.

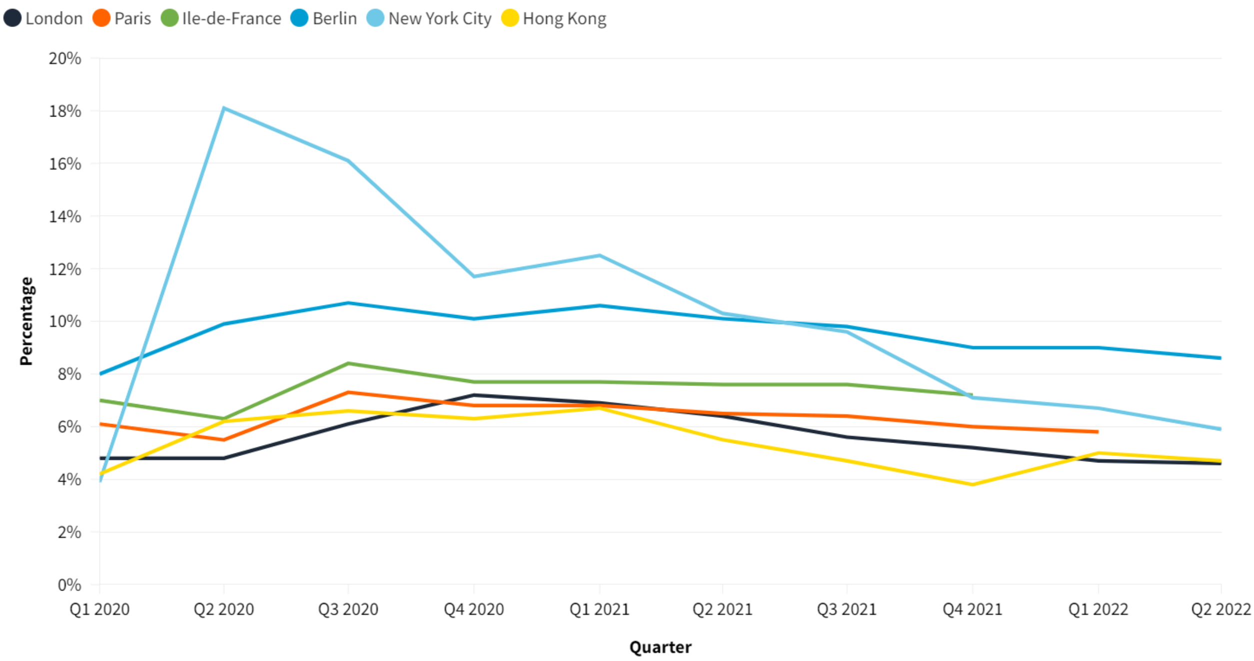
The release of modelled data for London's economy in Q2 2022 has been delayed by ONS. However, GLA analysis indicates that growth in output per hour in London has fallen behind the rest of the UK. PMI data now shows that across the UK, private sector business activity has begun to fall. Consumer confidence has remained negative in London. New York State GDP contracted in Q2 2022; finance and insurance make up the largest contribution to its fall in output over the period in question whilst healthcare and social assistance made up the largest positive contributions.

Hong Kong's GDP fell sharply in Q1, due to poor export performance and weak global demand, before partially recovering with 1% growth in Q2.

Overall, London risks experiencing a difficult period of economic performance as very high levels of inflation cut into disposable incomes and investment. The UK government has ruled out energy rationing over winter, however, now that Gazprom, the Russian state-controlled gas supplier, has halted the flow of gas through Nord Stream 1, it is increasingly likely that mainland Europe will be forced to implement energy rationing, including Germany. The EU's voluntary 15% target for gas demand reduction is backed up by a national fall-back plan that includes energy rationing in Germany. The energy price cap introduced in the UK, will mitigate some of the energy price hike for households and businesses. However, if material price rises eventually flow thorough, economic output risks being negatively affected, with potential knock-on effects for employment and consumer spending.

Unemployment

Unemployment rate

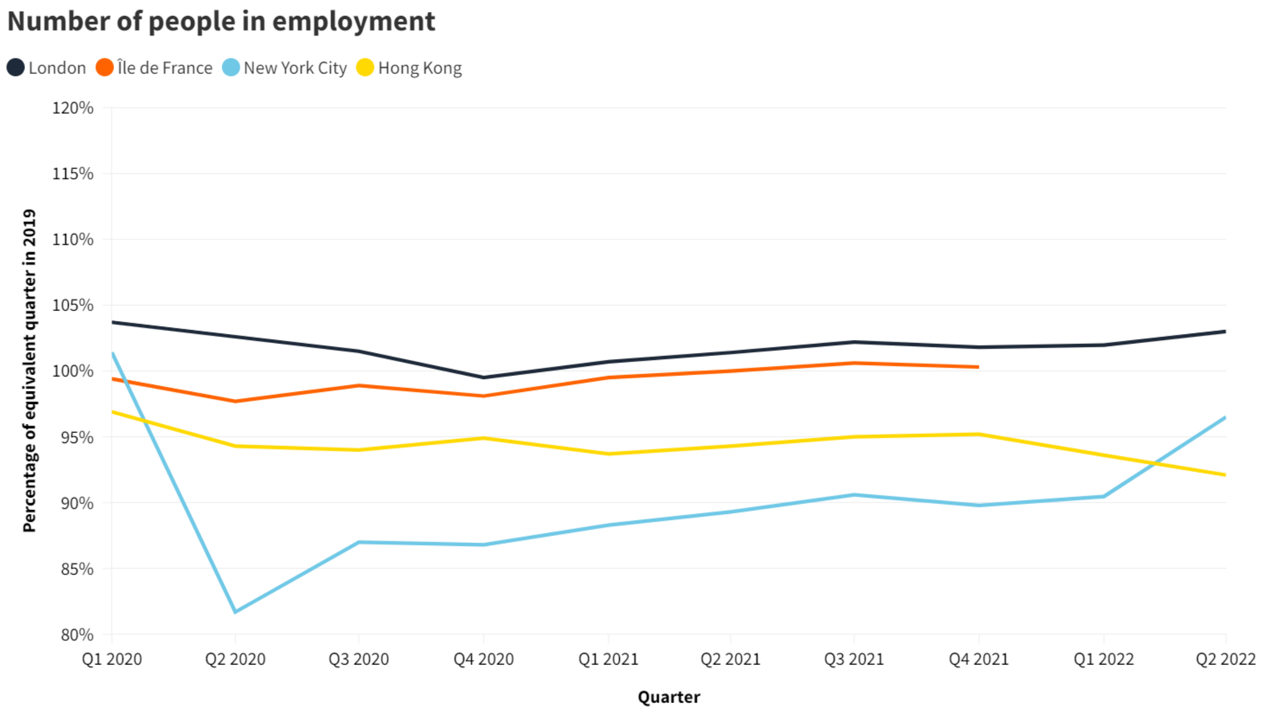


NY Department of Labor • Census and Statistics Department Office for National Statistics, INSEE, Arbeits Agentur Deutschland • London uses the Labour Force Survey's headline indicators, rather than Claimant Count, to meet ILO standards. French data is not currently up-to-date. None are seasonally adjusted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

London, New York, Paris and Berlin have all seen flat or slowly decreasing unemployment rates over the last quarter. Berlin remains the city with the highest unemployment level (a continuation of pre-pandemic trends). Unemployment in New York City continued to decline and has fallen back to under 6%, after having reached over 17% at the peak of the pandemic. This is largely due to an expansion in professional and business services.
Conversely, Hong Kong has seen unemployment rise, to a rate now higher than that of London. Despite having continuously fallen since the end of 2020, London's unemployment rate is the second highest of any region of the UK.

Comparison between Paris and the larger Ile-de-France region (within which the city is located) shows that the city is experiencing lower levels of unemployment than most of its surrounding suburbs. Across France, unemployment has increased among 15-24 year olds in Q2 2022– although it is lower than before the pandemic.

Employment

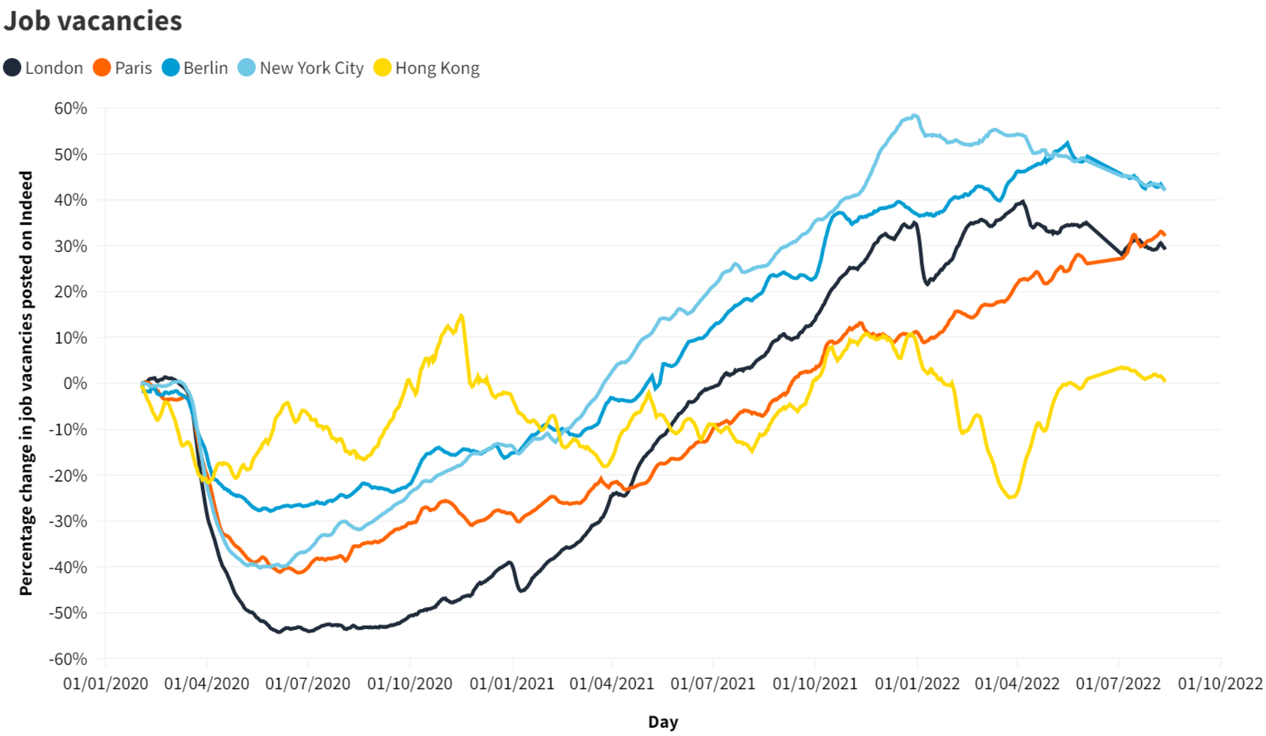


Office for National Statistics, INSEE, New York State Department for Labor • The Government of The Hong Kong SAR.
Berlin data unavailable. Only Île de France data available (not updated for Q1 2022). London uses the Labour Force Survey

In Q2 2022, the number of people in employment in London was 3% higher than in the corresponding period in 2019 – a stronger recovery than has been seen in Paris, Berlin, New York and Hong Kong. Between June and July of this year, London also experienced the largest percentage increase in payrolled employees of any UK region. Employment rates are not the whole story however; London has seen its highest economic inactivity rate since late 2019, reflecting a national trend of increasing numbers of people with for example, long-term health conditions and individuals who are caring for relatives. Perhaps surprisingly however, inactivity levels are still at close to an historical low and significantly below levels seen in the 2010s and 2000s.

Across the Atlantic, New York City's employment numbers have recovered when compared to 2019. But the start of 2022 has seen employment fall in Hong Kong, which is now the global city with the lowest percentage of employment compared to 2019 benchmarks. This may well be due to prolonged lockdowns and the complicated relationship the region has with mainland China.

Job vacancies

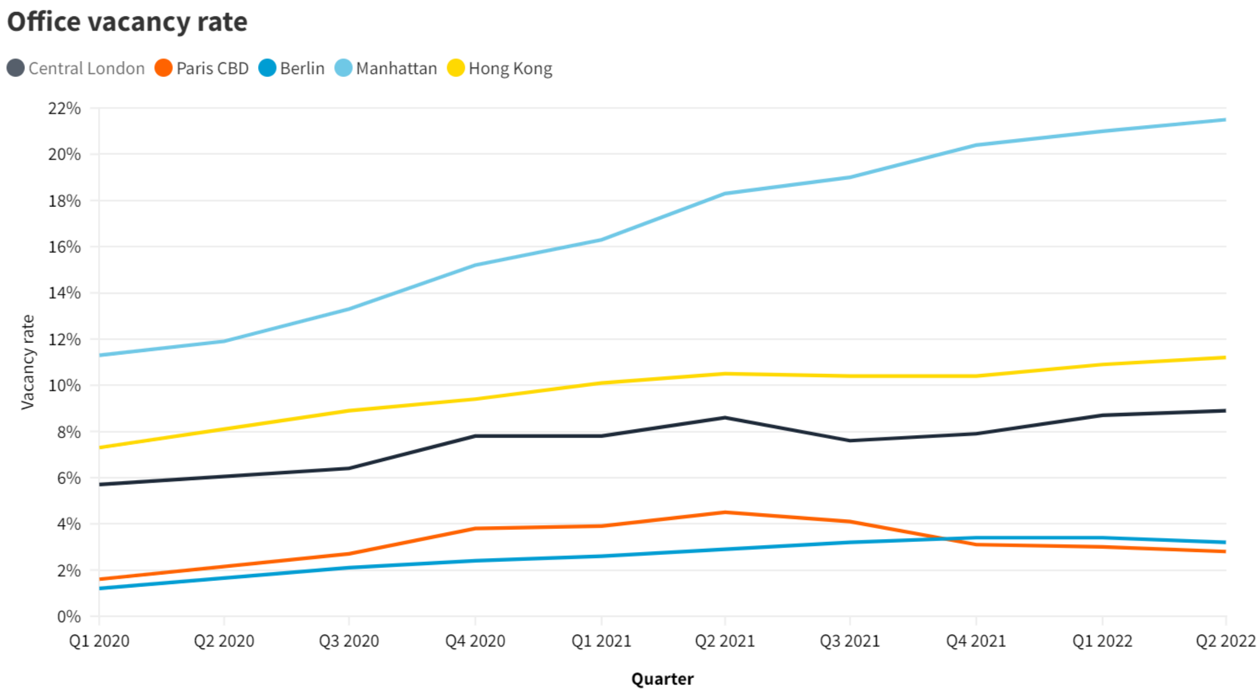


Source: Indeed • Data shows number of job vacancies posted on Indeed compared to pre-pandemic (01/02/2020) for Greater London, the Paris region, the Berlin region, New York metro area and Hong Kong.

Job postings remain much higher than they were pre-pandemic in New York, London, Paris and Berlin. Paris saw continued growth in postings this summer (which have stabilised in other cities) but this follows a more modest rebound in the French capital, earlier in 2022. New York and Berlin remain the cities with the highest level of postings compared to 2019; both more than 42 per cent above 2019 levels. Across the US, payroll growth slowed significantly in August, with the PMI Employment Index at its second lowest level in two years. However, voluntary “quit rates” in the US are still above pre-pandemic averages, suggesting a continuingly buoyant labour market. This is despite a series of interest rate rises by the Federal Reserve.

In the UK, PMI employment data shows that job growth is beginning to slow, with the lowest hiring growth in August of any month since March 2021. This was perhaps predictable given the UK’s post pandemic bounce back but it is possible that this is a sign also of a looming recession.
Job postings in Hong Kong were still 25% below pre-pandemic levels by June 2022, but have settled at pre-Covid levels in August 2022.

Office vacancy rates



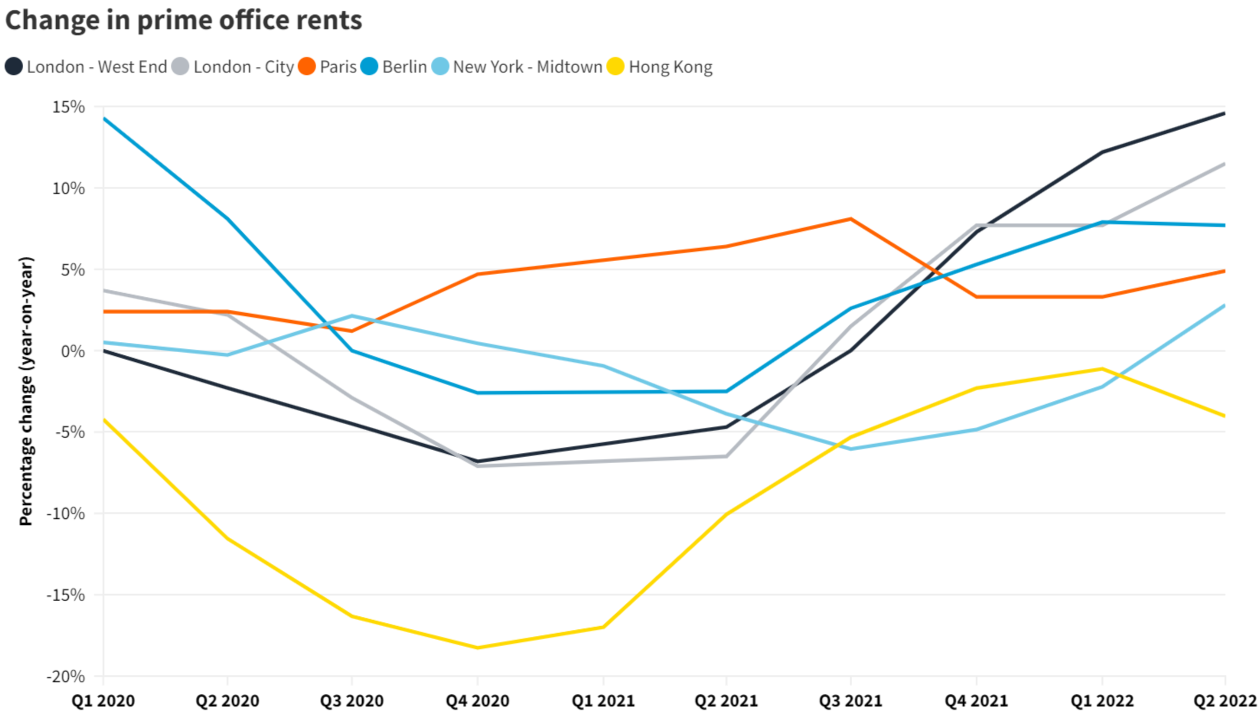
Source BNP Paribas Central London, BNP Paribas IDF, BNP Paribas Berlin • Cushman Wakefield • Colliers
In Q1 2020, BNP Paribas did not produce European editions of its quarterly update, we instead used: Knight Frank: London • Colliers: Paris• Savills: Berlin Only available NYC data is Manhattan-specific,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

During Covid, office vacancy rates for all office classes and all cities rose. In the latest quarter however, both Paris and Berlin recorded the lowest office vacancy rates among our surveyed cities at just 2.8% and 3.2% respectively. However, Manhattan in particular is struggling to encourage staff back to the office. As a result, it saw the highest office vacancy rate in Q2 of 21.5%; almost eight times that of Paris CBD areas. Manhattan's performance is probably largely a result of relatively low rates of in-office working in the city (our workplace mobility data shows Manhattan as experiencing the second most depressed rates in August). Analysis from the New York City Comptroller's office, (outlined in more detail in our section on workplace visits), indicates that office working rates of under 40% are likely to persist for at least the medium term.

In central London, after a decrease in Q3 2021, vacancies have risen a little further reaching their highest level so far since Q1 2020. Although there are no indications that they will rise as high as those seen in Manhattan or indeed Hong Kong, without a sea change in policy or business practices, the shift to working from home in London looks as though it will not abate anytime soon. In fact, 9/10 UK employers are offering hybrid working options to their employees.

Bank of America analysis warns that rising interest rates has driven debt service costs for European office owners above rental income for the first time since 2008. This is likely to lower investment in commercial property and may threaten the future stability of the sector. However, a weakening pound and Euro (especially against the dollar) may also increase investment in commercial real estate in the UK and Eurozone as overseas buyers go bargain-hunting.

Prime office rents[2]



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

Rents for prime office stock have continued to grow despite the slight increase in commercial vacancy rates. Grade A office space in London's West End is experiencing double digit (nominal) growth in rental prices year-on-year, with 12.2% rises in Q1 2022 followed by 14.6% in Q2. Although growth rates are lower in London City, at 7.7% and 11.5% respectively for Q1 and Q2 2022, this still indicates strong demand for prime office space, despite increased levels of working from home. It also demonstrates the importance of high-quality office space to employers seeking to attract and motivate staff in a tough market.

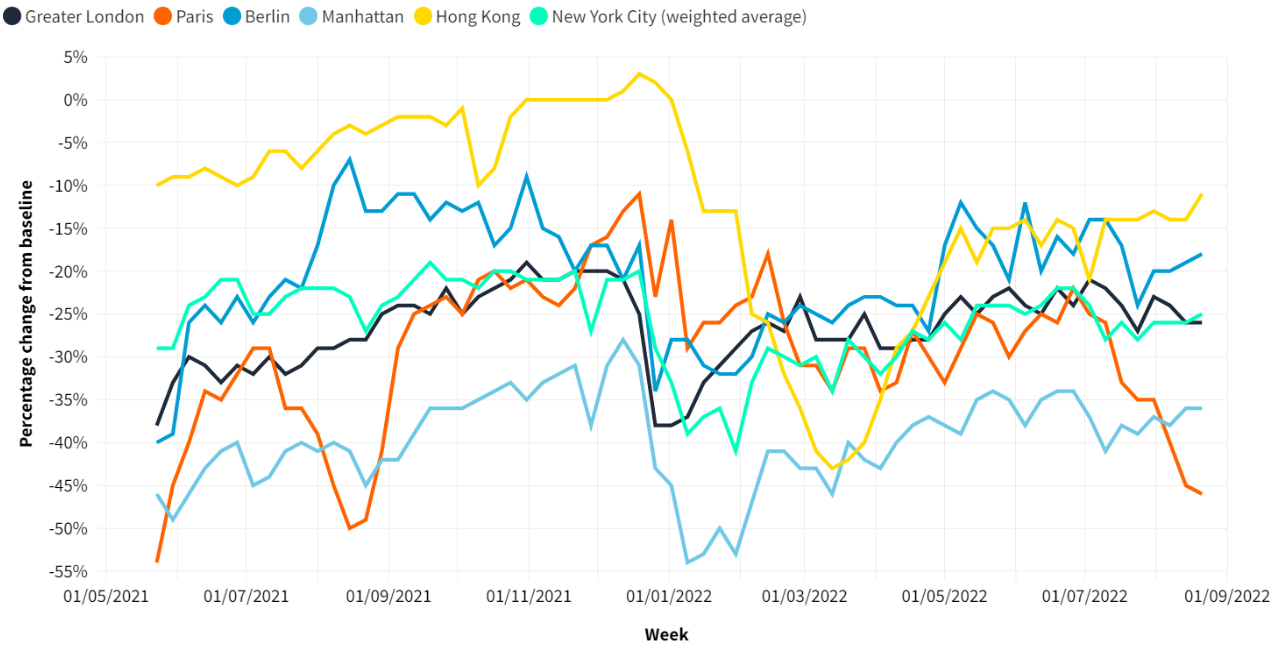
Polling from King's College London (Spring 2022) reveals that six in ten London workers are now working from home for at least one day a week. Some 58% say they'd "feel negatively" about being required to work more days a week at their workplace. However, it is possible some workers (especially those with short or inexpensive commutes) may return to the office more often this winter, to save on energy at home if heating become unaffordable for them.

[2] Rents in this dataset are nominal, so will be affected by national inflation rates.

Turning to the Far East, since Q1 2021, Hong Kong's precipitous slide in rental values for Grade A office space had been slowing. But it has made a reappearance in Q2 2022. This means it is the only global city in our study to still be experiencing negative year-on-year rental growth for this class of asset. This is likely related to falling demand from financial firms, due to political instability and harsh COVID-related restrictions, along with Chinese crackdowns on technology firms operating across the area.

Retail visits

Retail mobility across cities



Source: Google COVID-19 Community Mobility Reports, American Community Survey: Tables DP05 and C08524 • Percentage change compared to a pre-pandemic baseline using data from January 2020. Data averaged into 7-day rolling periods. Gaps where data quantity doesn't meet Google's privacy threshold. NYC is a weighted average of data for the five boroughs, using the number of residents and workers in each borough. This does not account for tourists.

Visitor activity in relation to London retail enterprises has remained roughly the same since the Spring; some 25% below 2019 levels. This trend is not unique to London. Generally retail visits have not recovered to their pre-pandemic levels in any city surveyed, driven by increased working from home and associated levels of online shopping (note this excludes food shopping). New York City as a whole is significantly outperforming Manhattan itself in retail activity, due in part to workers spending more time at home and the outmigration suffered by the city centre that has prompted descriptions of a ‘donut recovery’.

This year has witnessed international tourists return to London. Increased tourist numbers may well be compensating for depressed domestic demand. Paris figures reflect their more pronounced August holiday lull. Hong Kong remains the city with the highest relative level of retail mobility of our sample – the city’s harsh lockdown in Spring saw activity plummet to 43% below pre-pandemic levels, but since then there has been something of a resurgence.

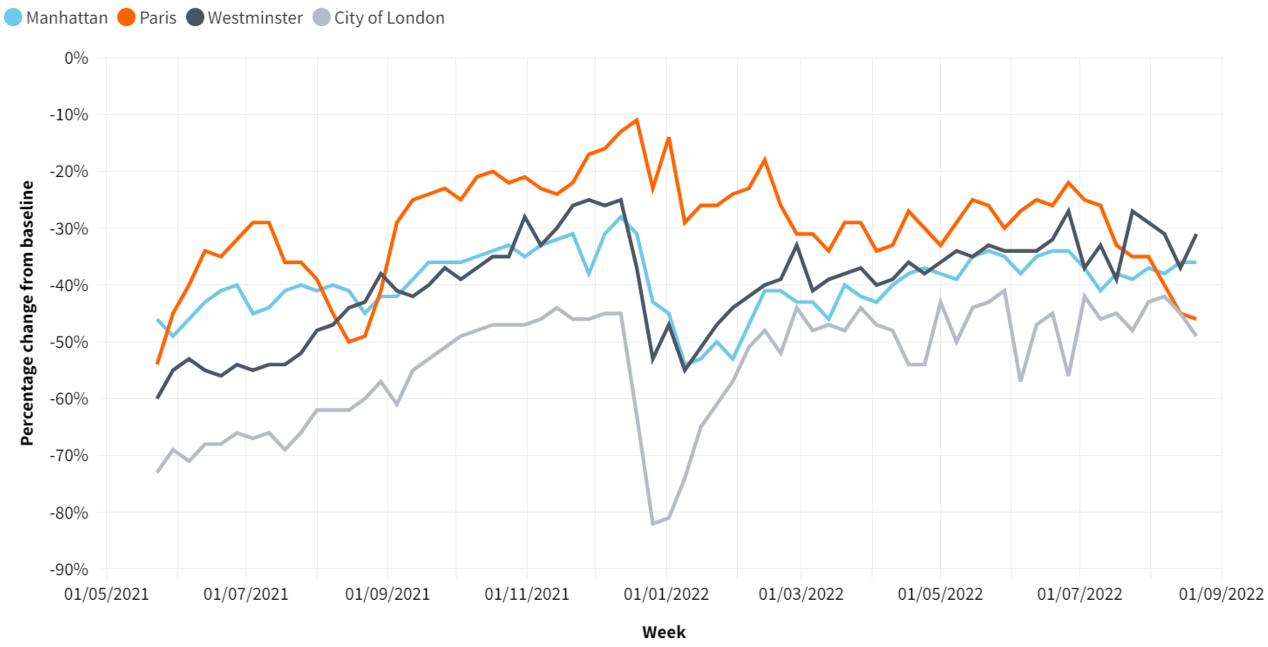
The next few months are expected to see UK consumer spending shrink due to record-high inflation and consumer confidence waning as recession looms. Recently announced sizable government intervention on energy could provide a bit of a temporary stay[3]. Some 90% of Londoners polled in August said their household costs have risen over the last six months, while the proportion of residents who are 'financially struggling' has risen to just under a fifth.

On the supply side, UK government support for the hospitality industry, pubs, restaurants, and cultural venues will need to be forthcoming to reduce the risk of closures – both temporary and permanent. The British Beer and Pub Association sent an open letter to the outgoing Prime Minister demanding a targeted support package for the sector, including an energy price cap for small businesses. The Chief Executive of the Night Time Industries Association, Michael Kill, has warned that many of his members' energy bills are "exceeding the combination of rent and business rates costs together".

[33] At the time of writing, the government was in the process of revealing details of its package of support for households over a two-year period and businesses initially for six months.

City centre retail

Retail mobility across city centres

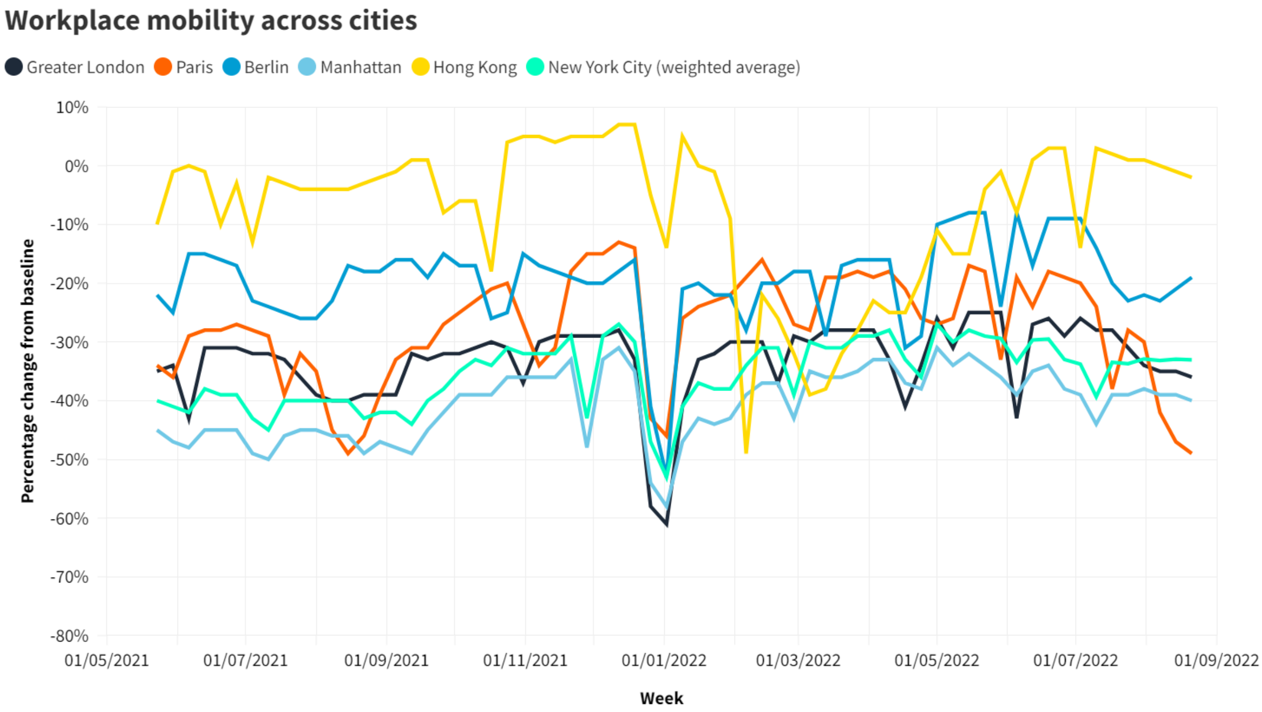


Source: Google COVID-19 Community Mobility Reports • Percentage change compared to a pre-pandemic baseline using data from January 2020. Store visits tend to be lower in January than during the rest of the year in many countries, so this data likely overestimates store visits in other months. Data averaged into 7-day rolling periods. Gaps where data quantity doesn't meet Google's privacy threshold. NYC data is only available at borough level.

Retail related activity in Westminster has outpaced the other city centres in our sample over the summer. Paris has seen its traditional lull. Despite this, Oxford Street, historically the UK's premier shopping street, may be settling into a permanently lower level of retail traffic. Geoff Barraclough, cabinet member for planning and economic development at Westminster City Council has argued that the street needs "more variety", and "a mixture of leisure, of hospitality, and cultural uses".

The City of London remains the city centre with the lowest retail mobility of any of our global city centres. Between March 2020 and June 2022, 14% of licensed premises closed in the City, reflecting lower office working rates than in other parts of Central London. A recently launched programme (Destination City) is designed in part to try and tackle this.

Workplace visits



Google COVID-19 Community Mobility Reports, NYC Planning • Percentage change compared to a pre-pandemic baseline using data from January 2020. Data averaged into 7-day rolling periods. Gaps where data quantity doesn't meet Google's privacy threshold. NYC is a weighted average of data for the five boroughs, using the number of workers in each borough.

Having gone through a lockdown earlier this year, Hong Kong is the only city in our dataset maintaining anything approaching pre-pandemic levels for our selected measure of workplace related activity. Berlin, Paris, and Greater London have all seen declines in recent weeks, perhaps due to seasonal factors such as vacation-taking.

At an international level, office working continues to be much higher on Tuesdays, Wednesdays and Thursdays. In the UK, office attendance is estimated at only 13% on Fridays. In London, Thursdays see 200,000 more London Underground trips than Fridays.

For New York City,[4] office working is lower in Manhattan than for the city as a whole. The gap between office attendance between Manhattan and NYC as a whole has steadily widened over the last two years. Other US data - tracking swipes into office buildings - shows that office working is at 39% of the pre-Covid baseline across New York City, peaking at 47% on Wednesdays. In comparison to the nine other largest metropolitan areas in the US, New York still has the lowest occupancy rates, although this gap

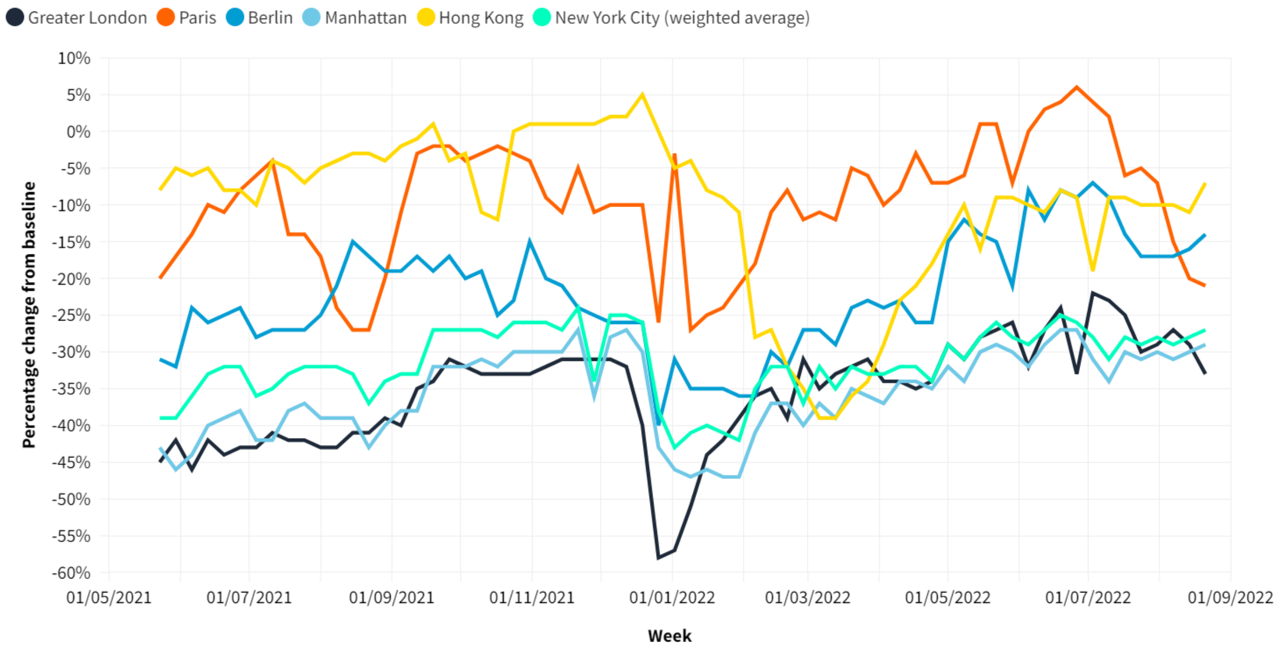
[4] We have created a weighted composite New York City dataset, as Google does not produce this for the city.

appears to be closing over time. Composite analysis from New York City's Comptroller's Office suggests that (based on occupancy data, surveys of employers and employees and mobility data), office working rates have stabilised and are not likely to increase significantly in the short term. Analysis using US Postal Service data also shows a clear albeit modest in size "donut effect" in migration patterns across the New York Metropolitan area, with outflows from Manhattan.

As we mentioned earlier, in Europe, a steep rise in energy prices could lead some workers to work from the office to reduce their domestic energy bills. A recession might also ease labour market tightness and up employers' bargaining power in relation to choices around where their staff work.

Station visits

Station visits across cities



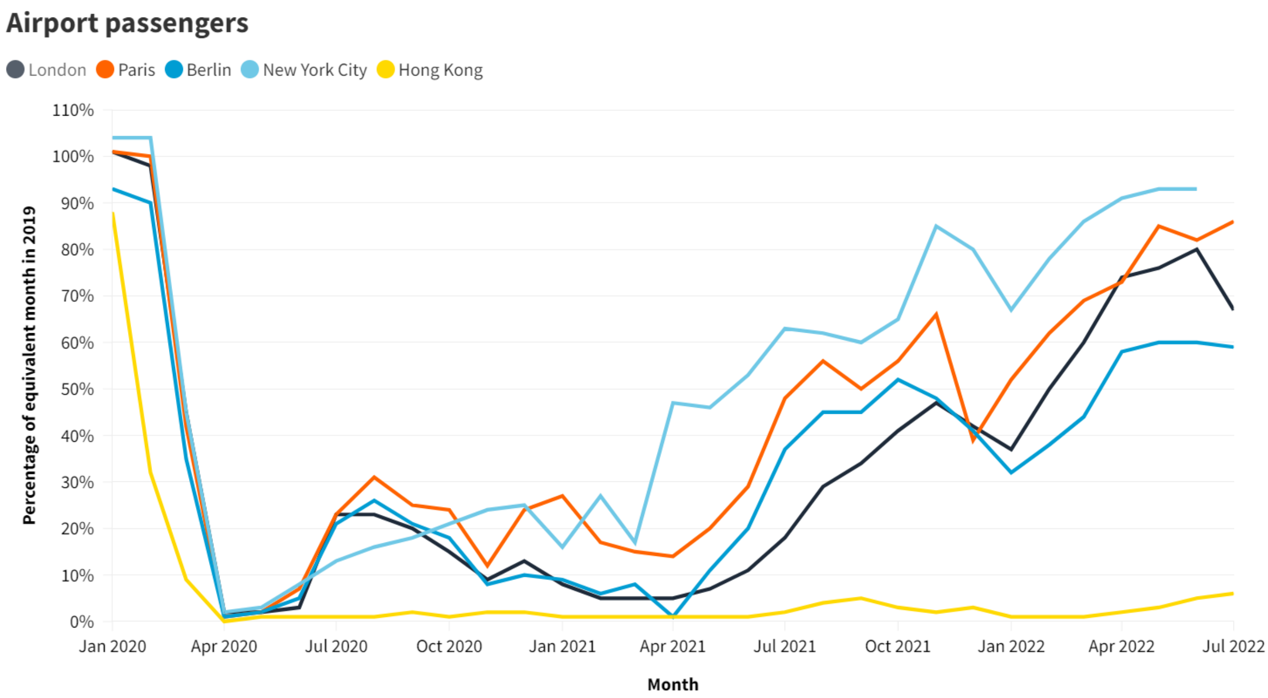
Source: Google COVID-19 Community Mobility Reports, American Community Survey: Tables DP05 and C08524 • Percentage change compared to a pre-pandemic baseline using data from January 2020. Data averaged into 7-day rolling periods. Gaps where data quantity doesn't meet Google's privacy threshold. NYC is a weighted average of data for the five boroughs, using the number of residents and workers in each borough. This does not account for tourists.

Transit mobility across our cities is somewhat higher than retail and workplace mobility, reflecting the fact that visitor numbers are continuing their recovery. Before the traditional summer vacation period, station visits in Paris surpassed their pre-pandemic level (before a summer lull). London, on the other hand, has experienced a volatile few weeks in transit ridership, with spikes and troughs in activity after the end of May, when the Elizabeth line was opened to the public. The combination of summer holidays and this year's unprecedented heatwave has seen large swings in activity levels throughout June, followed by a distinct fall in July. London has also seen a number of transport sector strikes since our last edition, which will have dented ridership.

Transit use measured through the station visit indicator in Hong Kong is the highest of any of our global cities at just 7% below pre-pandemic levels, correlating with the city's high in-person working rates. Over in the US, Manhattan continues to plateau around 30% below pre-pandemic figures. The low office occupancy rates experienced in Manhattan, as described elsewhere, are undoubtedly the reason for this. As with other mobility indicators, station visits are lower in Manhattan than New York City as a whole. However, interestingly, this divergence is significantly smaller than in the case of retail and workplace mobility, indicating that public transit usage is relatively more permanently depressed in the outer boroughs of the city than other forms of transport. This could plausibly be a result of many outer borough residents having historically used public transit to commute into Manhattan and no longer doing so.

Berlin's station visits have been boosted by Germany's nine euro monthly train ticket scheme. Transit mobility jumped 13% in a week when measured using our indicator upon the introduction of the programme. Figures collected by the Financial Times indicated a major rise in rail travel to rural tourist areas on 2019 levels immediately after the introduction of the ticket in June, combined with a fall in car use.

Airport passengers



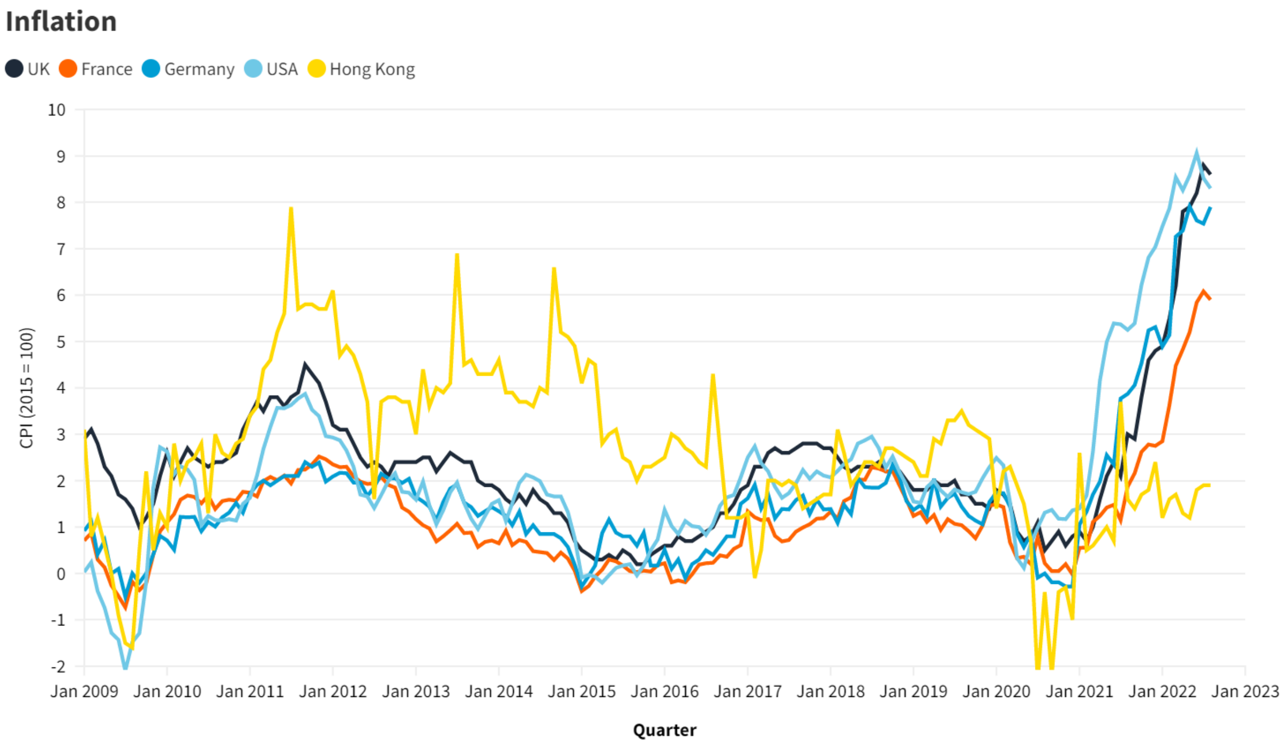
Source: Civil Aviation Authority, Paris Aeroport, Berlin Airport • Percentage of equivalent month in 2019. London Airports are defined here as Heathrow, Gatwick, Stansted, Luton, Southend, and London City. Paris Airports are defined as CDG and Orly. Berlin Airports was defined as Schönefeld, Tegel, and 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.

Our airport passenger tracker suggests that June of this year saw higher visitor numbers than at any point during the last two and half years in London, New York, Paris and Berlin. At 93% New York's passenger numbers were closest to their pre-pandemic level, while Berlin's recovery stalled at around 60%. Given its location it is likely that New York was least affected by travel restrictions to Russia and China. Its large domestic air travel market recovery will have buoyed numbers. London and Paris hovered around 80% of pre-pandemic levels in June but diverged strongly in July – continuing their growth in Paris but dropping in London. Since July of this year, a number of London airports have experienced substantive flight cancellations – with Heathrow reducing introducing a cap on passenger departures at 100,000 a day until mid-September 2022, compared with 125,000 passengers a day in 2019.

Hong Kong saw an uptick in passenger numbers after slight easing of Covid restrictions on arrivals but numbers remain very low compared to 2019. The end of quarantine requirements for travellers is scheduled for late September and will, no doubt, see this number rise, although enhanced PCR testing requirements are still more stringent than those practised in our other global cities.

Eurostar passenger numbers provide an encouraging story for London and Paris – the company expected to reach 80% of its pre-pandemic ridership figures despite running only three quarters of pre-pandemic services, and the company reports that business travel is at 70% of 2019 levels – as firms are perhaps prioritising train travel over air, to reduce the size of their carbon footprint.

Inflation



OECD, Census and Statistics Department

Our city level cost-of-living index is updated yearly, so in this section we draw upon national-level inflation data. In July 2022, UK inflation rate hit 10% year on year and overtook inflation rates in the US, France, Germany and Hong Kong. The UK's dependence on natural gas and its use to set the marginal price for electricity production has left the country exposed. Recent analysis indicates that British households pay the highest average electricity price of any European country. The energy price cap announced for the UK, will have some downward impact on inflation but there will be longer-term impacts on borrowing and interest rates.

The GLA has conducted analysis showing that Londoners are experiencing faster inflation in food and rent prices than elsewhere in the UK, leading to one in five Londoners stating they are financially struggling. As a result without government intervention, London is the UK region with the highest share of households for whom food and energy bills are projected to exceed disposable income over 2022 and 2023.

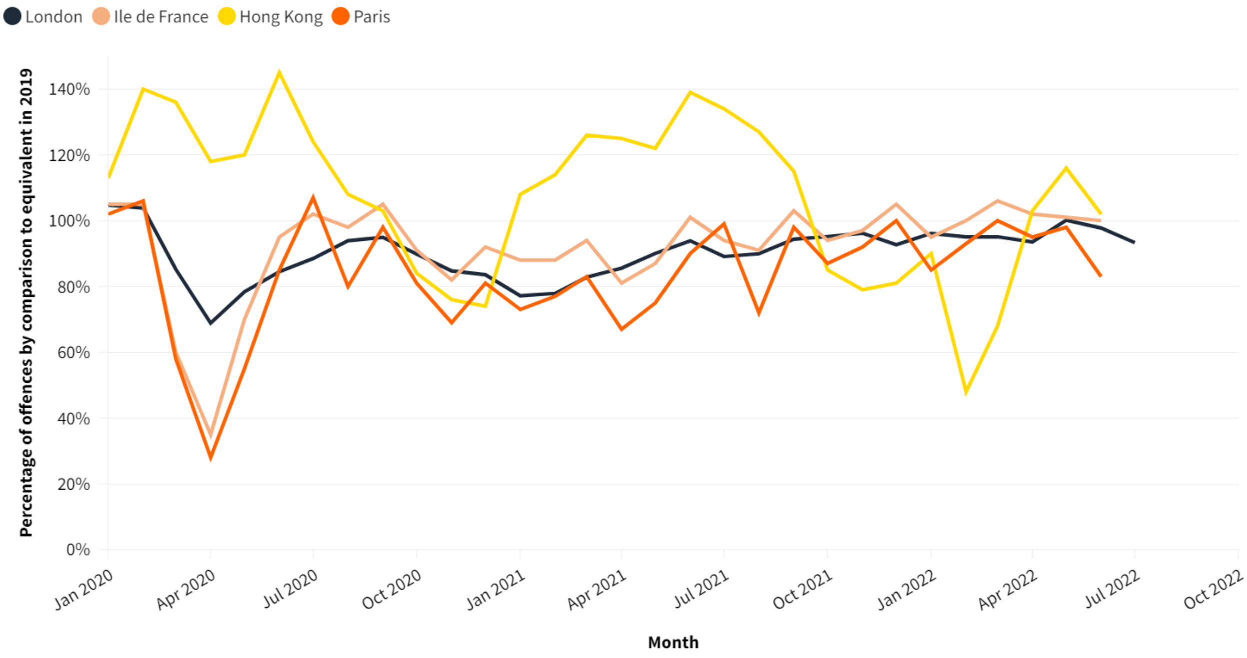
Inflation in France continues to trail that of the UK, USA, and Germany. Its government's price cap on electricity and natural gas for households is likely to be the reason for this variation. It will however expire at the end of the year. Oxford Economics, a consultancy, has undertaken analysis indicating that London and Paris are less affected by rising energy prices in proportionate terms than the rest of their respective countries. This is most likely due to lower car ownership levels and higher residential density. French energy caps, plus the renationalisation of EDF, have been combined with a cap of 3.5% on increases in private rent, but are set to rise this autumn.

In the longer term, the European Commission has pushed for EU members to use emergency price caps on wholesale gas, either on a state-by-state or pan-European basis. The government of Norway has indicated that its state-owned oil group Equinor, may be willing to sell gas at controlled prices to European countries if granted longer term contracts, which may help to limit rises. German inflation is likely to rise as government cost-of-living measures, including the nine euro train ticket, expire in September.

In contrast, in the US, one measure of industrial inflation - PMI input prices for manufacturing - have begun to fall significantly. This should flow into lower consumer prices. Data from the New York City Comptroller indicates that inflation is significantly lower in New York than across the rest of the country some 6.7% in June 2022 as opposed to 9.1% nationally. Previous analysis from the city government explains that, as in London, increased reliance on public transit is shielding many New Yorkers from rising fuel prices. Rent stabilisation in the city has also suppressed the effect of rising rents on overall inflation rates. Hong Kong remains significantly unaffected by inflationary pressures, due to falling housing costs, which make up 40% of the Consumer Price Index on the island.

Crime

Crime rate

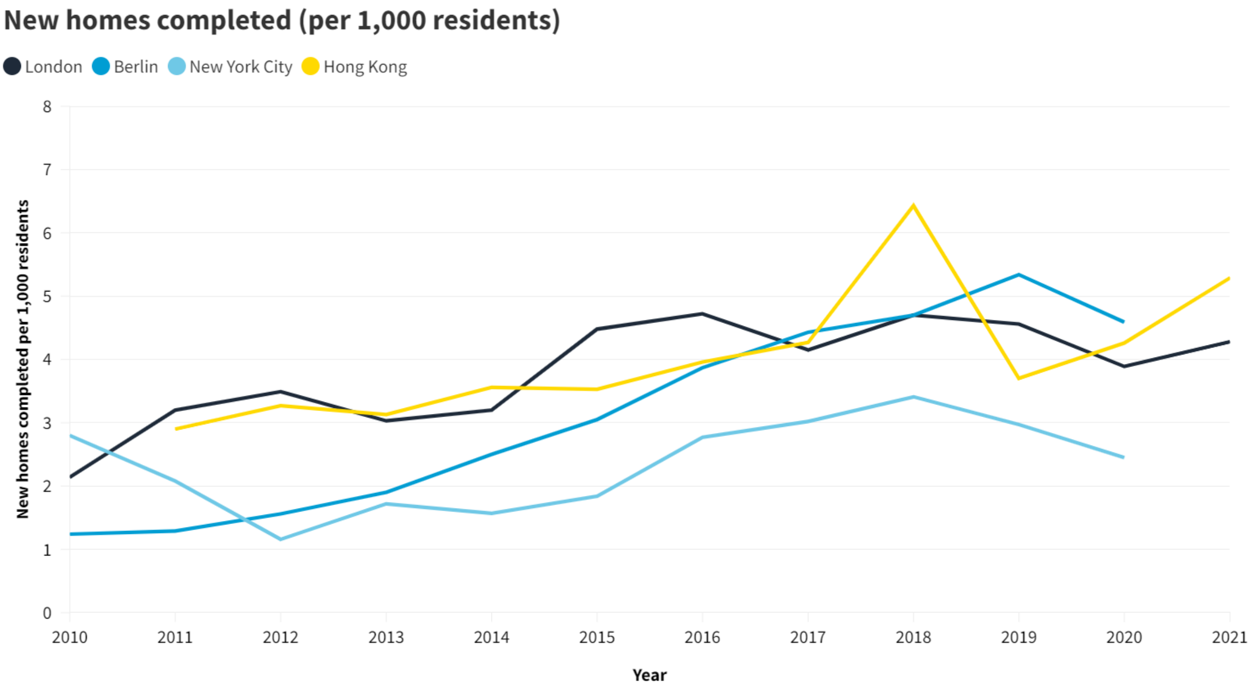


Source: Metropolitan Police, Ministere de l'Interieur, Hong Kong Police Force • Hong Kong data is limited in availability, Berlin only publishes annual data, showing a minor decrease to 98% of 2019 crime rates in 2020, NYC data is inconsistent between months.

The crime rate in London returned to its 2019 figure in May 2022, before dropping again over the summer. Crime in Paris is now lower than before the pandemic, although as with London there is significant month-on-month variation. Despite the decrease in headline rates in London, the Mayor has warned of a rise in shootings and stabbings, and that the rising cost of living could lead to more violent crime in the city.

Hong Kong witnessed a surge in crime rates in May of 2022 reaching 116% of 2019 levels. This compares with 68% in March 2022, during a lockdown.

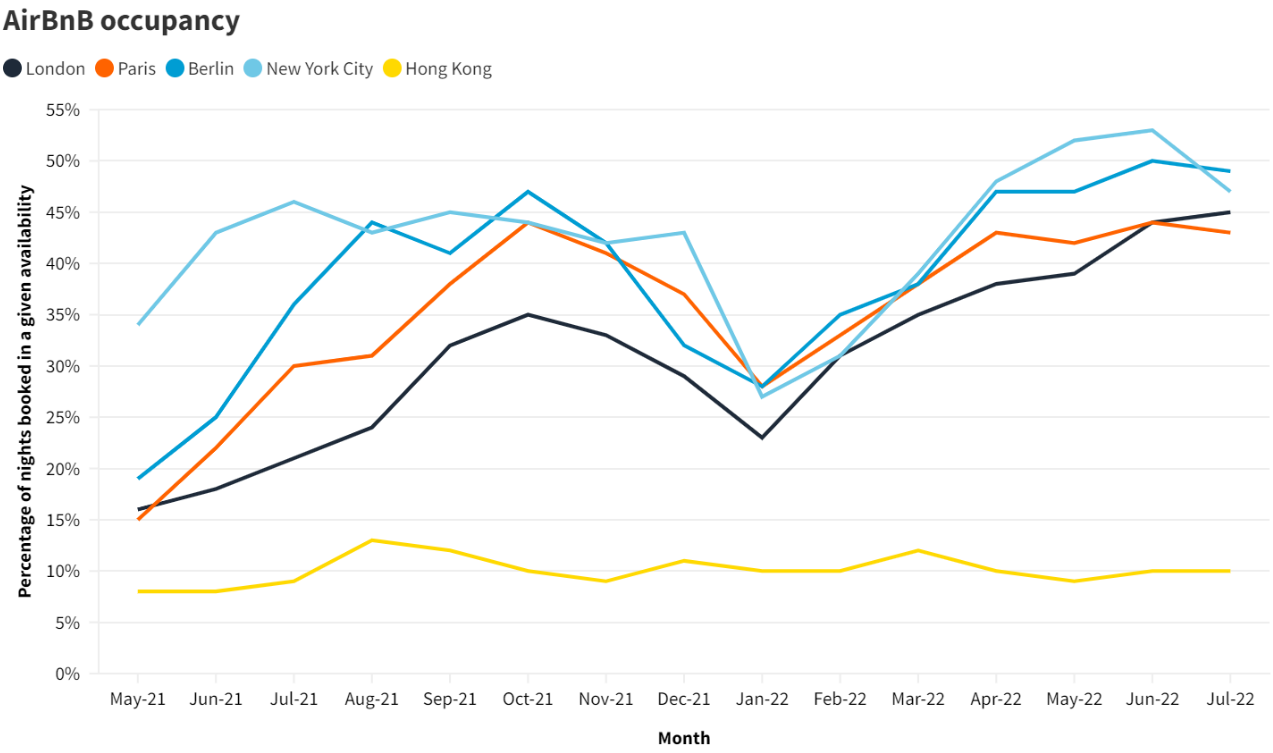
New homes completed



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. Hong Kong data begins in 2011. Île-de-France only tracks authorisations and new starts, so not comparable.

Housebuilding in London is expected to slow as high inflation pushes up both mortgage costs and build costs, although foreign buyers may take advantage of a weak pound. The chief executive of Berkeley Group, a housebuilder, has warned that rising build costs are threatening the city’s pipeline of new build residential property. Strong demand for logistics land has also seen housebuilders outcompeted by warehouse developers. Investment by housing associations may also be reduced by a lower government cap on rent increases. Remarkably, insufficient infrastructure capacity may also limit construction – the GLA has warned that a wave of new data centres in west London that are intensive electricity users may make it impossible to develop new homes in three boroughs.

Airbnb occupancy

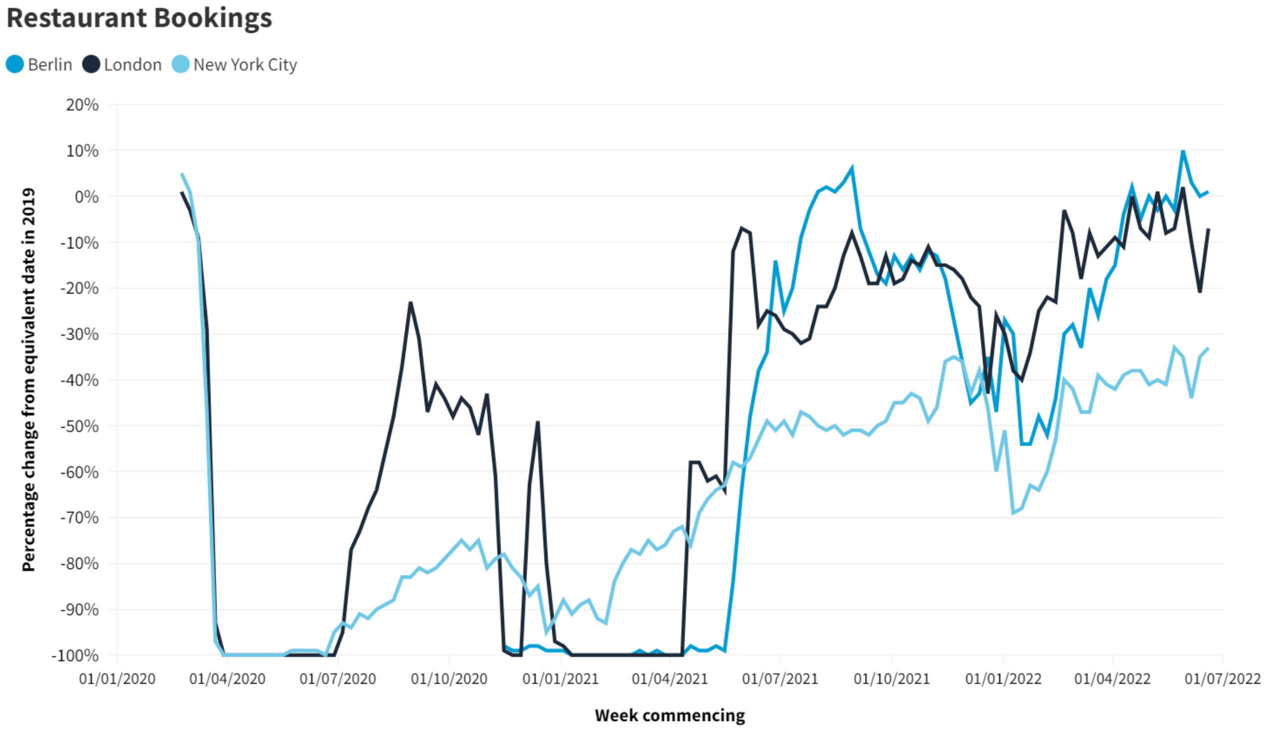


Source: AllTheRooms, a short-term rental analytics site

London, Paris, Berlin and New York have seen steady recovery in Airbnb occupancy rates in the latest quarter as international visitors return. It is likely that landlords have responded by letting more properties for short term stays too. Hong Kong's local travel restrictions, including mandatory hotel quarantine, had continued to keep visitors away although hotel quarantine requirements were reduced to three days in August. This is certain to rise, given the lifting of quarantine requirements on travellers.

In May 2022, occupancy rates in Paris, Berlin, and New York City continued to out-perform London but by July, London's occupancy rate marginally exceeded that of Paris. Airbnb occupancy rates in Berlin have steadily increased in the first half of the year, rising to the highest figure post-pandemic in June at 50% of 2019 levels. This coincides with the lifting of all COVID-19 entry restrictions in Germany in the same month. In July, Berlin surpassed New York City as the city with the highest occupancy rates at 49% of 2019 levels compared to New York's 47%.

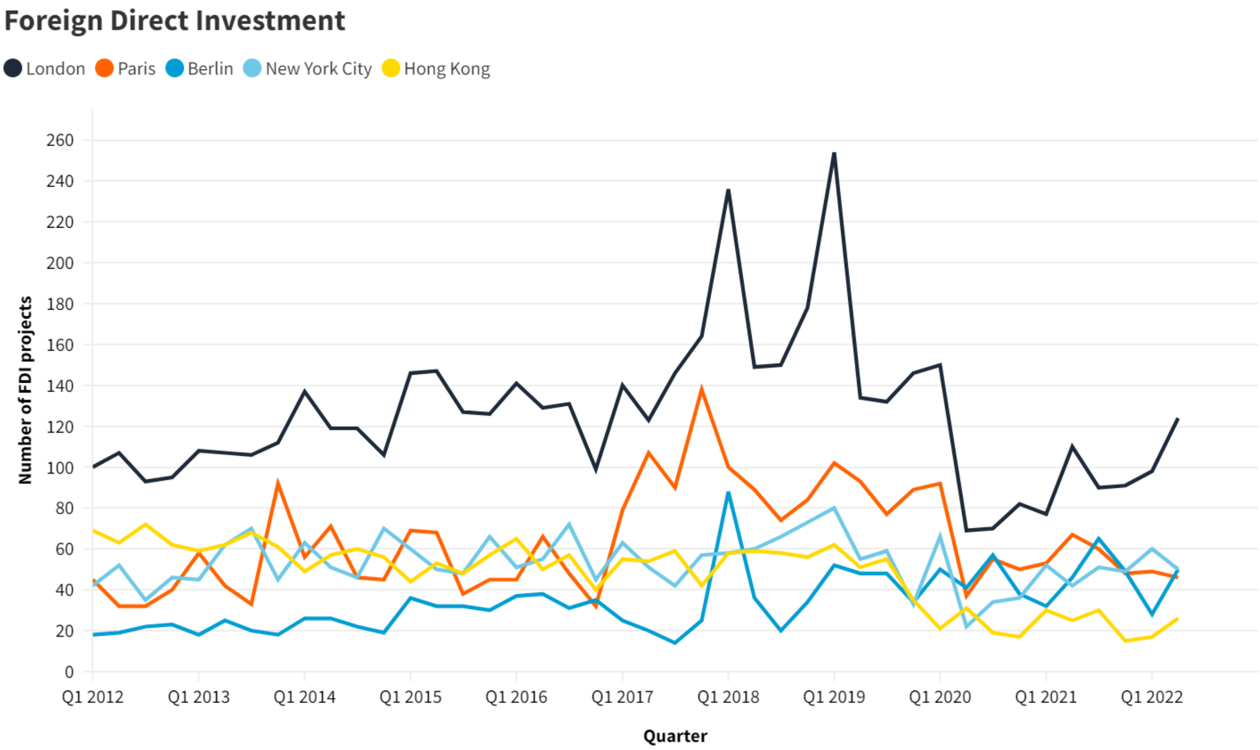
Restaurant bookings



Source: Opentable • Daily data has been averaged into 7-day rolling periods. No comparable data available for Paris or Hong Kong.

New York continues to lag behind London and Berlin in its recovery in restaurant bookings. Despite showing a marked improvement from the beginning of the year, booking rates across June continued to be 30 to 40% lower than pre-pandemic levels. London's figures surpassed pre-pandemic levels in May 2022, reaching 102% of 2019 rates. However, declining rates in June meant restaurant booking figures were down to 93% of 2019 figures. The demand for restaurants may continue to fall across the next year in London, as the rising cost of living and inflation lead to price increases in hospitality businesses. A survey by Bloomberg found that hospitality chiefs in the UK plan to raise prices by 6% across the next year to cover the rising cost of energy, food, and labour. In May and June, Berlin restaurant bookings surpassed 2019 levels. The end of May saw a particular surge, rising to 110% of benchmark. This follows the easing of COVID-19 restrictions across the city in April, in particular the dropping of the COVID pass entry rules in restaurants and cafes.

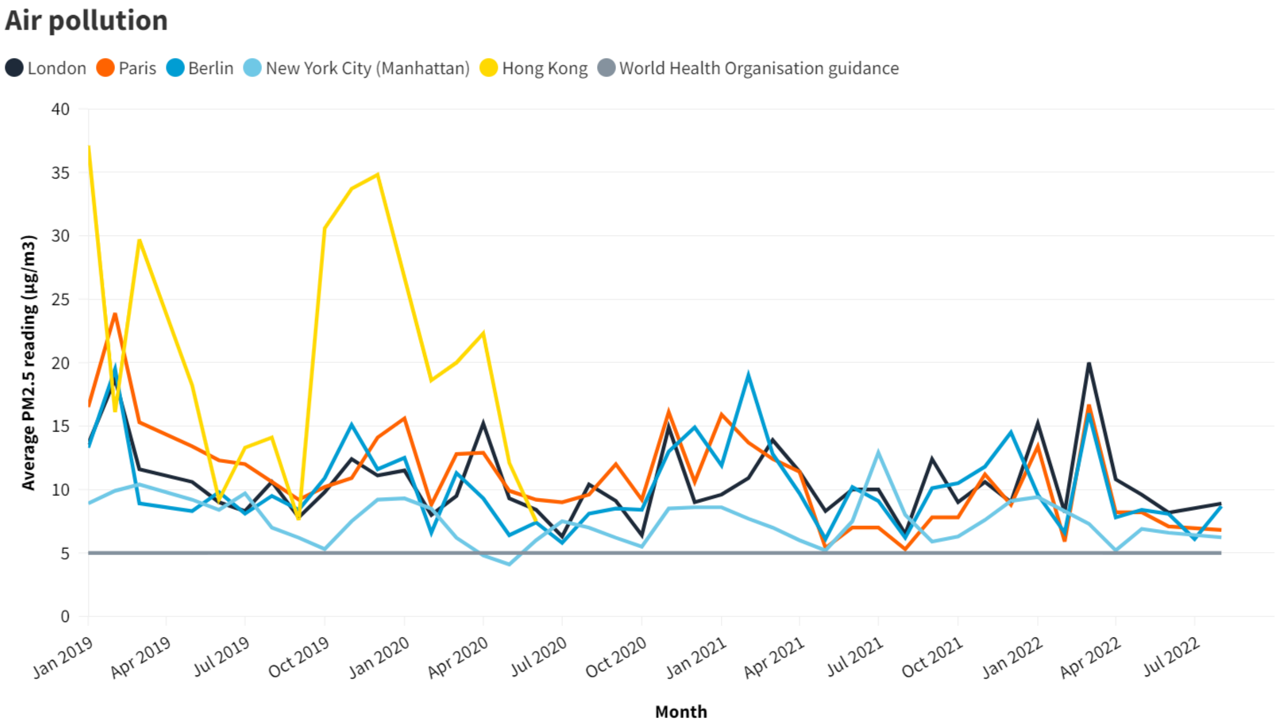
FDI investment



Data sourced from fDi Markets by London & Partners, as of 07/09/2022

The number of foreign direct investment projects remains much lower than pre-pandemic globally, but shows signs of picking up again, especially in London, which typically receives a much larger number of projects than its peers. Whilst France attracted more FDI projects than the UK in 2021 (with Germany in third place), London continues to take the lead over Paris and Berlin, driven by a large number of transactions in the financial and professional services sector (with Dubai and Singapore in second and third place in this sector). As would be expected from a global city, London attracts around 40% of the UK's FDI, not including the substantial additional investment that takes place in the wider south east, and Oxford and Cambridge.

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.

Pollution as measured in terms of PM2.5[5] readings continues to exceed World Health Organisation guidance across our sample (data for Hong Kong has been discontinued). Manhattan continues to have relatively lower readings, which may be due to its proximity to the Atlantic Ocean (which helps disperse pollutants) while periods of stable weather in Western Europe have perhaps worsened pollution peaks there.

Air quality has generally improved in London as more polluting vehicles have been phased out, encouraged by policies such as the Ultra-Low Emissions Zone. Air pollution has risen up the political agenda in London and Paris, partly thanks to active mayoral campaigning in both cities.

[5] The term fine particles, or particulate matter 2.5 (PM2.5), refers to tiny particles or droplets in the air that are two and one half microns or less in width. Like inches, meters and miles, a micron is a unit of measurement for distance. There are about 25,000 microns in an inch. The widths of the larger particles in the PM2.5 size range would be about thirty times smaller than that of a human hair. Source: New York State, Department of Health.

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