London Property Alliance

Global Cities Survey

January 2023

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.

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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 fifth quarterly **Global Cities Survey** launched by the **London Property Alliance (LPA) with research undertaken by Centre for London.** Using a range of indicators, our analysis aims to promote a better understanding of London's economic performance compared to its **key global city competitors New York, Paris, Berlin and Hong Kong.**

As the UK's leading world city, **London's quest for talent, private sector investment and visitors is global.** The city acts as a gateway for the rest of the UK especially for business, visitors and investment. The London Property Alliance considers that London can only play its full role in national recovery when it is succeeding on the international stage.

We hope that this report provides policy makers and business with additional insight and analysis to help make better decisions on many of the issues that affect London's ability to prosper over the short, medium and longer term.

Charles Begley
Chief Executive
London Property Alliance

Executive summary

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

- After big rebounds post Covid-19, **the world economy is struggling**. In 2023, many of our selected global cities and their countries will be in **recession.** Notwithstanding this economic growth estimates/projections for Greater London for 2022 and 2023[1] by the GLA and OBR indicate **London outperforming the UK economy** as a whole.

- **Inflation** continues to dominate the economic picture across the countries of our global cities although big differences remain. **Energy costs** continue to be the single most important driver of inflation across Europe in particular. However, OECD **projections indicate substantial falls** in this cost pressure across the board in 2023 and 2024.

- **Employment and job vacancy** levels for our cities have all shown signs of recovery in the last two quarters of 2022. However, New York and Hong Kong are still behind when compared to pre-Covid employment levels. Whilst **Hong Kong and Paris have seen sustained increases in demand for workers**, other cities are experiencing plateauing or falling levels of vacancies.

- Compared to our four other global cities, **London** is succeeding in attracting **Foreign Direct Investment**.[2] Although down from pre-pandemic levels, London continues to attract more FDI projects than any of its competitors analysed in this report.

- **Office vacancy rates** are showing dramatic levels of variation. New York (Manhattan) is now running at more than eight times that of Paris (Central Business District) and Berlin. Central London rates appear to have levelled off.

- Growth in **prime office rents** are diverging dramatically as well. Despite a flattening off in the rate of growth, London (West End) prices are growing by twice the amount Hong Kong's is falling. Berlin rents recording robust growth in Q3, 2022.

[1] Growth is anticipated to fall less in London in 2023 than for the UK as a whole
[2] Measured in terms of number of projects

- Across the cities for which we have reliable **public transport** demand data, London's figures compare favourably. New York City average subway ridership (on a quarterly basis) has still not exceeded 65% of pre-pandemic levels. London Underground, hit average **of 80% the pre-Covid-19 benchmark** level during November 2022.

- **New York** continued to surpass all our global cities in **airport passenger numbers** until major disruption hit the US and Canada, caused by an enormous snowstorm. In Hong Kong, the lifting of many quarantine restrictions required of travellers in late September 2022 signalled dramatic increases in passenger numbers towards the end of the year.

- London, Paris, Berlin and New York have seen a steady recovery in **Airbnb occupancy rates** in 2022 as international visitors return. With travellers to Hong Kong no longer required to undergo quarantine at a designated hotel, we expect to see rates for the territory pick up in Q4 2022 data.

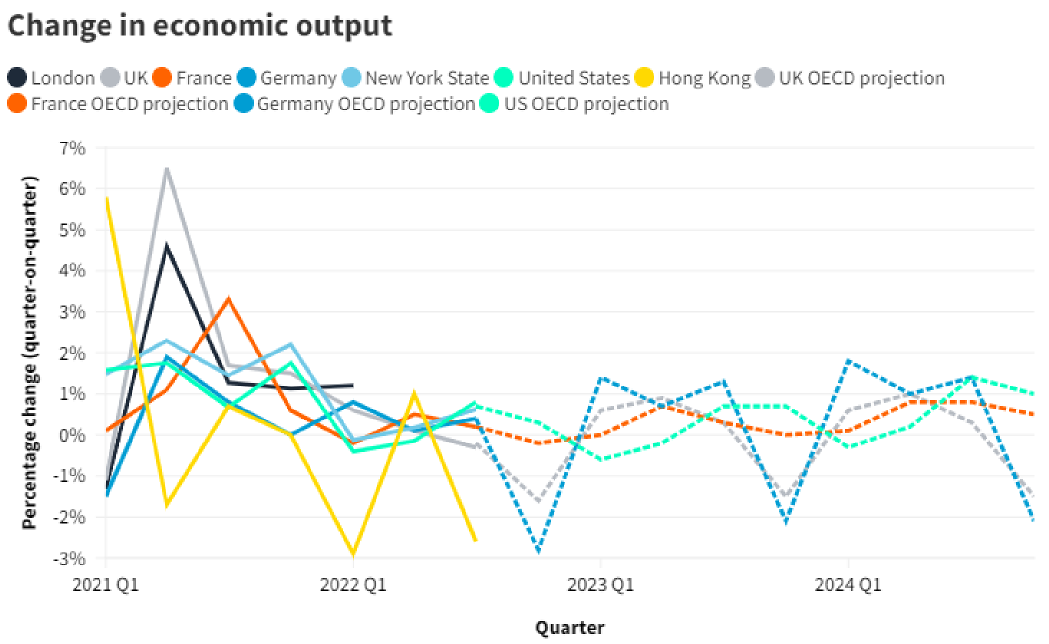
- **London** is the leading city for **electric car ownership**, with 5.9 licensed electric cars per 1,000 population in Q2 2022. Berlin closely follows London's progress in EV ownership, with 5.2 registered electric cars per 1,000 of the population in Q2 2022.

- When measured in terms of download speed**, London consistently has the worst quality broadband** of any of our global cities for which data is available. In contrast New York City had the third fastest average download speeds for any city in the world.

Detailed analysis

Economic output

As can be seen in the figure below, city/regional level growth data is only available for London, Hong Kong and New York State and then on a delayed basis. To provide a broader picture, it has been overlaid with previous and projected country GDP figures (sourced from the OECD) to provide a fuller macro-economic picture.



Author's analysis of Office for National Statistics, U.S. Bureau of Economic Analysis, Hong Kong Census and Statistics Department • ONS, INSEE, Destatis, OECD
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. All GDP data is in real terms. UK, Germany, and Hong Kong GDP are seasonally adjusted. 2023 and 2024 data is projected on a quarterly basis.

The chart shows a combination of historical (city[3] and country[4] level) economic performance and forward looking estimates sourced from the OECD for countries alone (shown as dotted lines).[5]

In November 2022, the UK government presented its plan for the economy with its Autumn Statement. Faced with difficult times ahead, official UK forecasts made by the Bank of England and the Office for Budget Responsibility (OBR) reveal the difficult growth context in which London is operating

The Greater London Authority (GLA) estimates **full year growth of 6.9% in Greater London's GVA during 2022** (down from 8.3% in 2021).This compares favourably with the OBR's national projection of 4.2% growth over the same period. Official outturn estimates for the UK economy from the ONS will be published in February 2023.

[3] Measured using GVA
[4] Measured using GDP
[5] This reflects the lack of publicly available data for city level economic output. Note, OECD data does not include Hong Kong

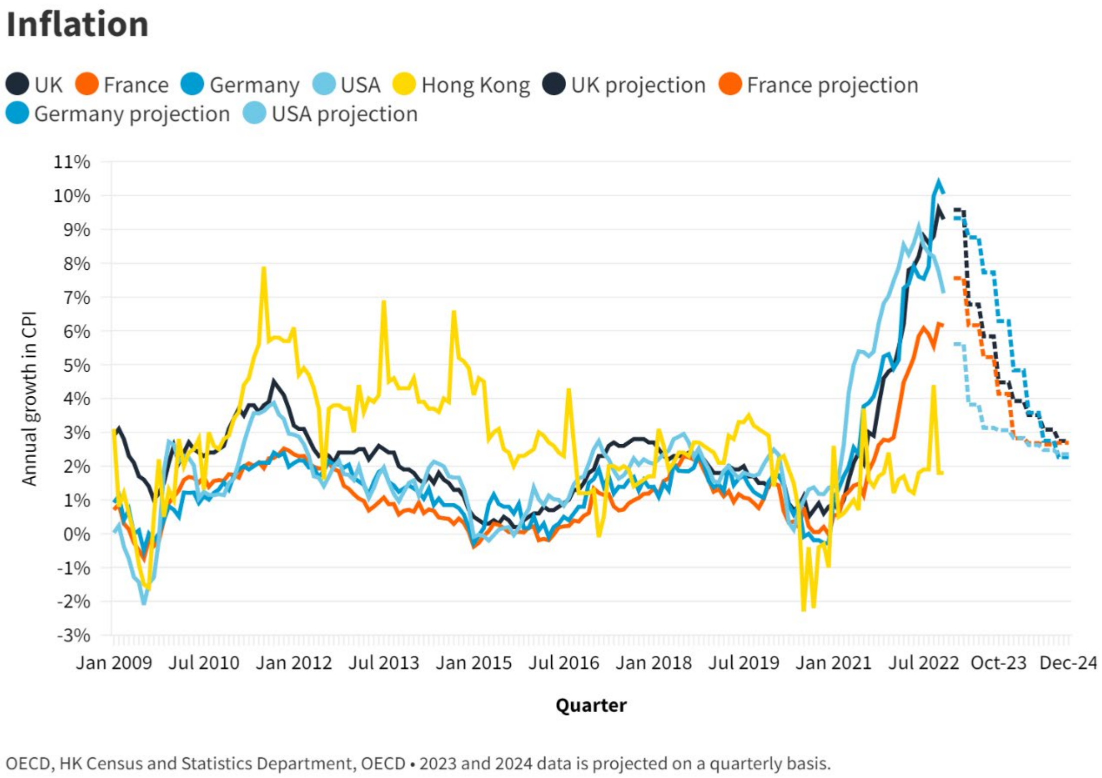
For 2023 the GLA puts **London's economy in negative territory**, projecting a decline of -0.8%. This compares with national projections of -1.4% from the Office of Budget Responsibility. London is therefore anticipated to perform less badly than the national economy as a whole. Having said this, the OECD's economic forecast (November 2022) stated that whilst the **UK is likely to experience the weakest GDP** performance of any of its members (except Russia) for the next two years, it foresees a more modest (-0.4%) fall in output compared to the OBR in 2023 followed by a (paltry) 0.2% rise in 2024. The quarterly figures shown in the chart perhaps mask the fact that Germany GDP is projected to fall by just -0.3% in 2023, followed by recovery of 1.5% in 2024. The prospects of a less deep recession have been partially bolstered by the welcome news that the UK economy managed to stay in positive growth territory in November 2022.

Elsewhere, only Hong Kong has released new economic growth data since our last edition. This showed a 2.6% fall in GDP in Q3 2022 compared to 1% real growth seen in the previous quarter.

Germany's Q3 2022 national GDP data revealed an unexpected 0.3% increase mainly driven by private consumer spending and the easing of supply chain issues in manufacturing. The French economy is thought to have contracted in November 2022 for the first time since February 2021 due to a fall in service sector activity caused by reduced demand even as input cost inflation from supply chain problems eased.

Overall, we consider it is likely that in 2023, **economic output** levels in many of our selected global cities **will fall over the coming months**, driven in large part by the cost-of-living crisis and war in Ukraine.

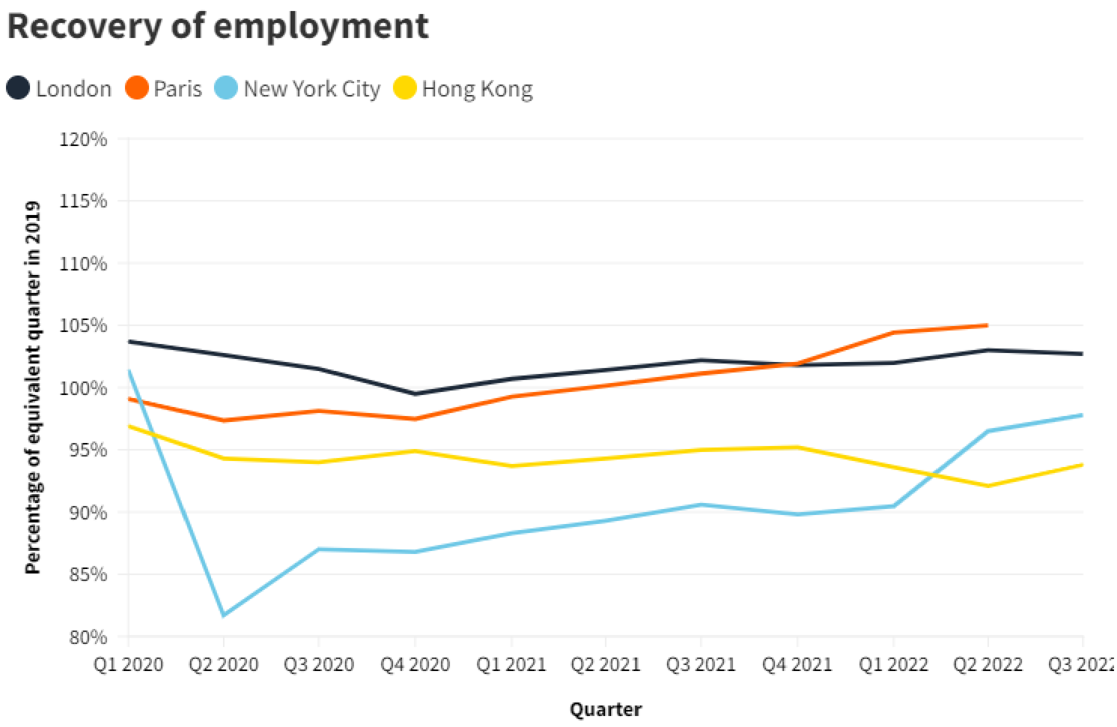
Inflation



Inflation continues to dominate the economic picture across the countries of our global cities[6] although big differences remain. **Energy costs** continue to be the single most important driver of inflation across Europe in particular. **German inflation reached 10.05%** in November 2022, the highest of any country in our sample (although lower than in October), whilst the United States has seen its exceptionally high rates fall below those experienced in the UK. French inflation remains significantly lower than Germany, the UK and the US but continues to rise rapidly. However, OECD projections indicate **substantial falls across the board into 2023 and 2024.**

[6] Note: public authority city level indicators of inflation are not available on a timely, consistent basis.

Employment & job vacancies



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

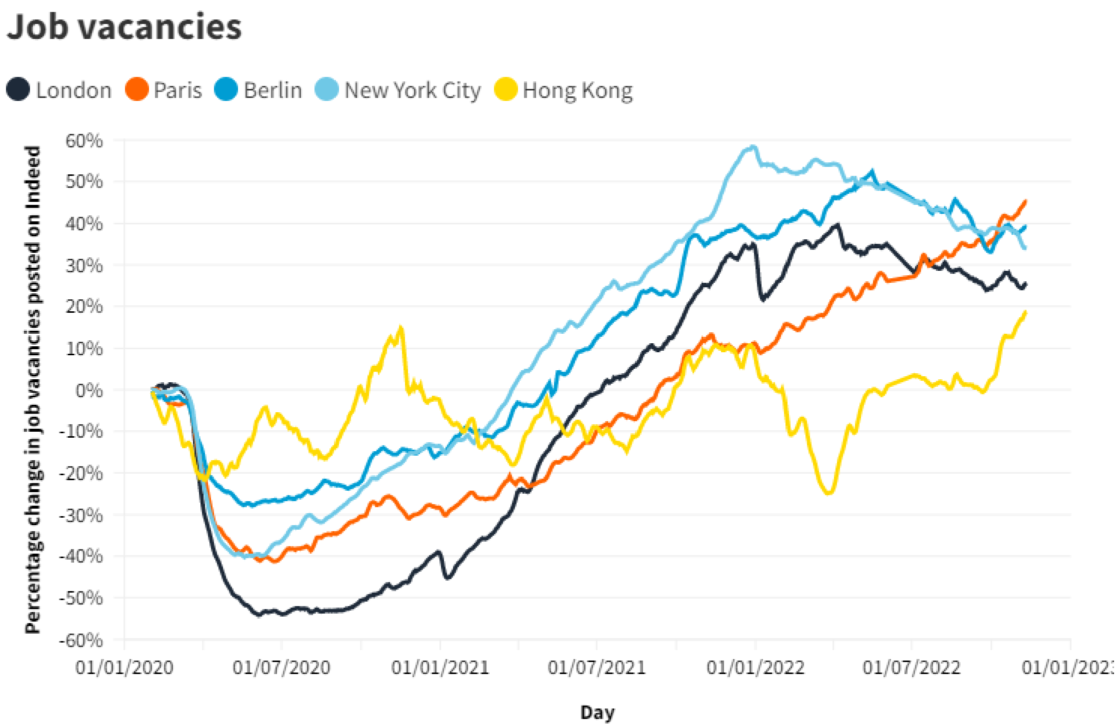
Employment growth and job vacancies are in many ways **better indicators of economic health** than unemployment.[7] Faster job creation and an appetite for more labour by employers indicate greater business confidence and associated levels of economic output.

By October 2022**, London** had recorded the biggest increase in the number of pay rolled employees of any UK region**; a 4.3% increase** compared to the same period in the previous year.

Paris experienced strong recovery in its employment numbers in 2022, with a **near 5% increase** from pre-pandemic levels. Employment levels in New York continue to recover since the beginning of 2022 but unlike our other global cities, **both New York and Hong Kong have yet to surpass their pre-pandemic levels.** Despite some improvements Hong Kong has the lowest percentage of employment compared to 2019 benchmarks for our cities - at just 93.8%.

[7] See for example https://www.imf.org/external/pubs/ft/issues/issues20/index.htm. Note we include unemployment data in the "Further Detail" section that can be found at the end of this report.

Job vacancies



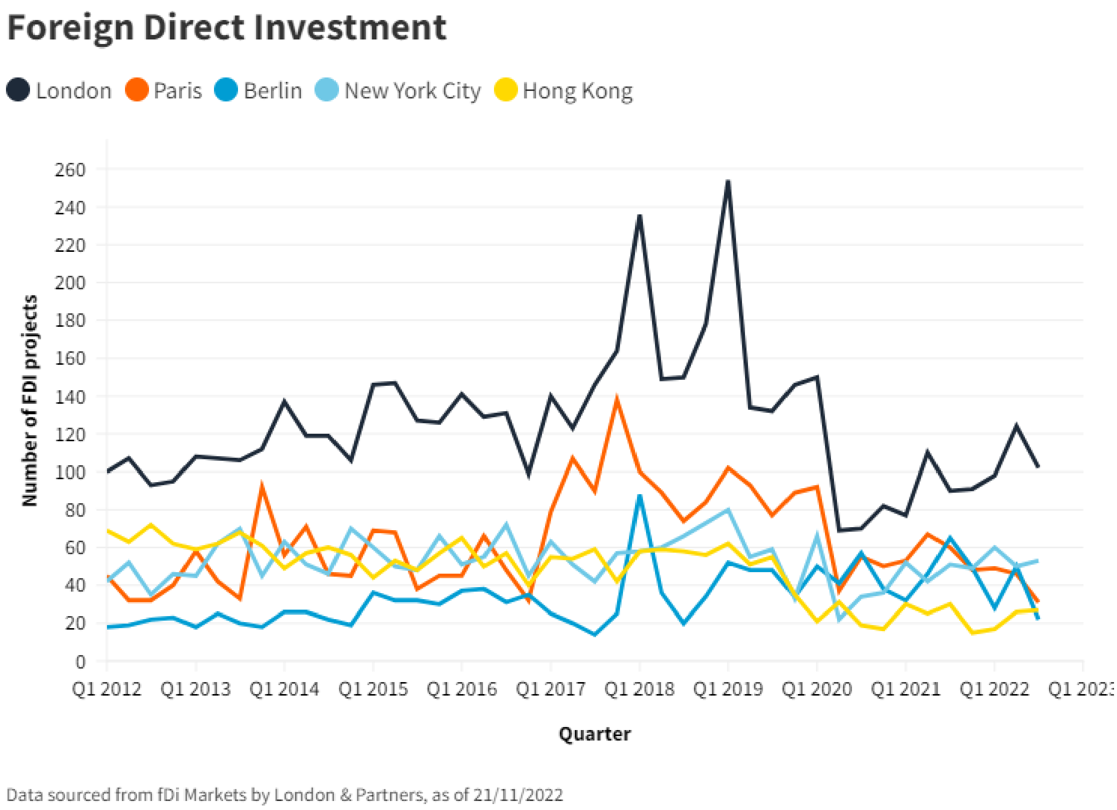
Source: Indeed • Data shows number of job vacancies posted on Indeed compared to pre-pandemic (01/02/2020) for Greater London, the Paris region, the Berlin region, New York metro area and Hong Kong.

All cities in our survey are recording higher levels of job vacancies than before the pandemic, but whilst **Hong Kong and Paris have seen sustained increases** in demand, others have experienced plateauing or falling levels. Paris is recording the highest level of post pandemic vacancies for some 45.2% above benchmark. This is also the city's highest rate.

Since our last global cities survey, **London has experienced a fall in demand for workers**. However, at 26% it is still above pre-pandemic levels albeit down by five percentage points. This most likely indicates that **increasing input prices, rising interest rates and fears of an oncoming recession** are causing some employers to retreat from expanding. Paris' position is more positive. It has experienced an almost inexorable rise in vacancy rates and is now 42% above our January 2020 benchmark. It now has the highest relative level of demand for labour in any of our cities. Along with some other indicators, it is hard not to conclude that **London is experiencing loss in demand that is at least in part Paris' gain.**

Hong Kong is another city where demand for labour remains strong whilst Berlin's falling vacancy rate may be the result of exceptionally high nominal wage growth in the European context; a 7.1% average year-on-year increase in Q3 2022, compared to a 5.2% average in the Euro area.

Foreign direct investment

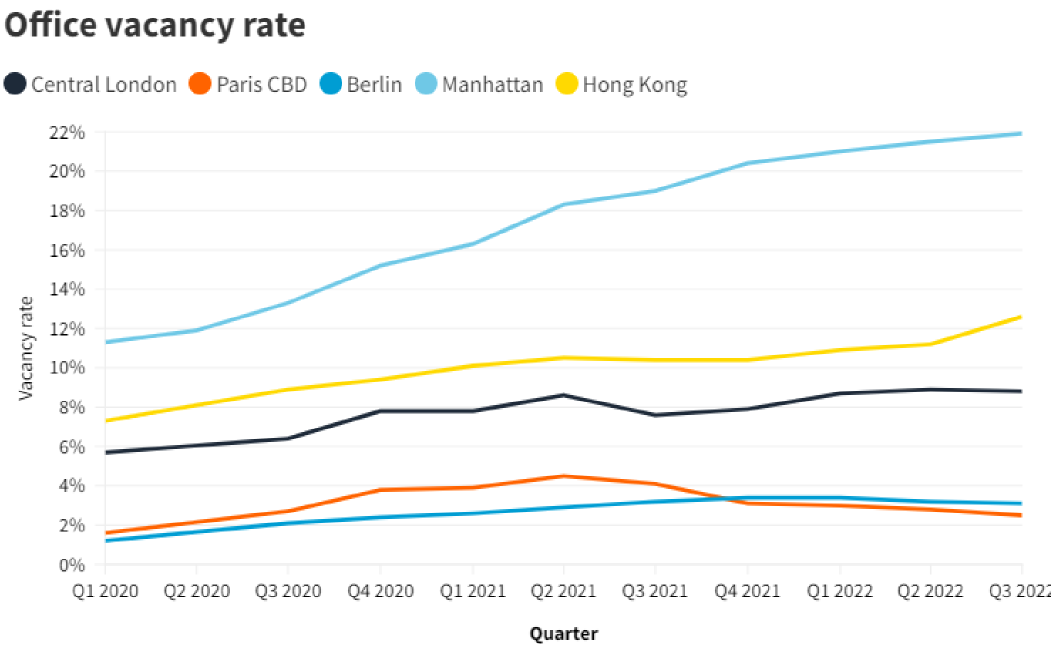


As can be seen from the chart, whilst the number of foreign direct investment projects[8] fell sharply during the pandemic, since Q2 2020, we have witnessed a more positive period of activity.

Figures published by the City of London Corporation in April 2022 showed that **London remained the top destination in the world** for attracting foreign investment in financial and professional services, with 114 projects in 2021 (compared to 104 in Dubai, 103 in Singapore, 54 in New York and 51 in Paris). However, overall investment into the capital remains largely subdued in comparison to pre-pandemic activity, as shifts in investor sentiment, (which incidentally, reveal a rising interest in manufacturing projects) spark a slowdown in London's digital sector. Nevertheless, despite a fall in FDI projects from 124 in Q2 2022, to 102 in Q3, London maintains a significant lead over Paris, Berlin, New York and Hong Kong, all of which fell within the range of 22-53 FDI projects in Q3 2022.

[8] Figures on the monetary value of projects are not publicly available.

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 influence rates.

The very significant **increase in vacancy rates in Manhattan's** office market has continued hitting a new high of around 21.9%. This reflects structural problems in the city's commercial real estate market, with **US long-term demand forecast to drop by 10%** or more by CBRE economists. Furthermore, increased borrowing costs, spiked by Federal Reserve interest rate hikes are discouraging firm expansion and upsizing of leases.

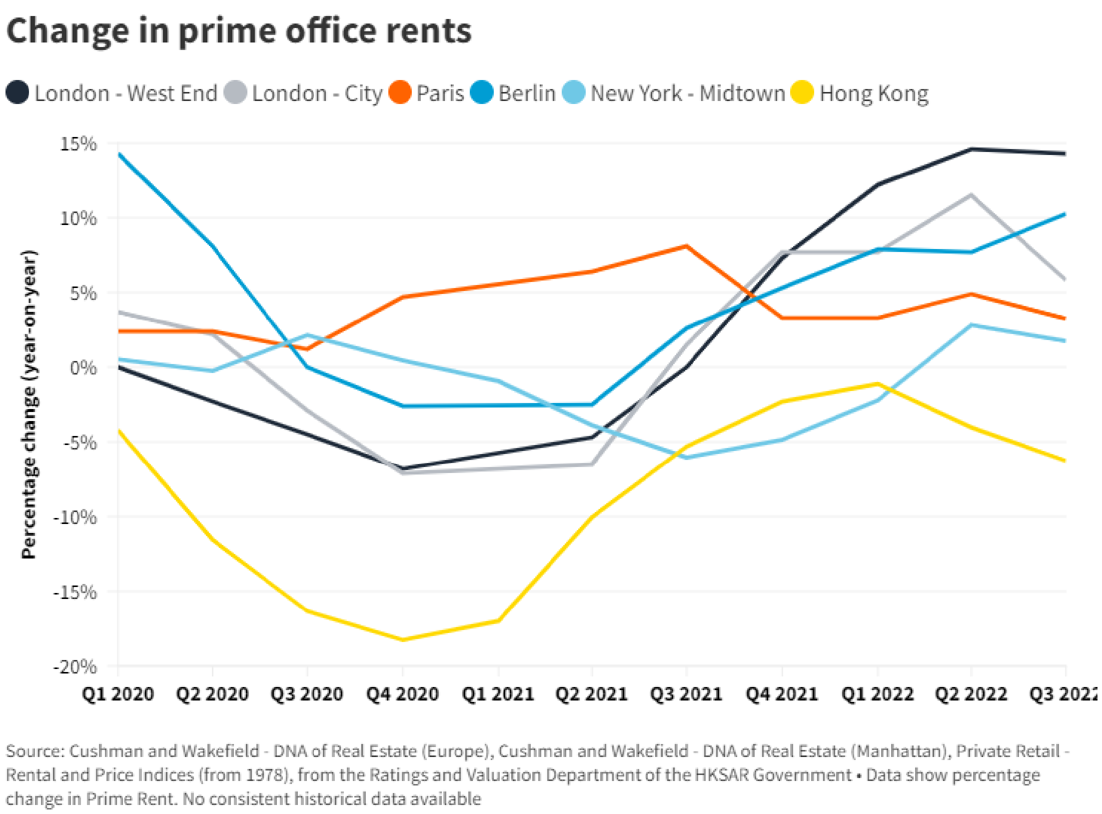
The rise in Hong Kong's vacancy rate has also accelerated since Q2 2022. In contrast rates have **plateaued in Central London, Berlin, and Paris' CBD**. The latter continues to enjoy the lowest vacancy rate of any of our surveyed cities demonstrating the comparative buoyancy of its financial and professional services sector and a structural under-supply of high-grade office space.

Central London's vacancy rate is still historically high but has not changed materially over 2022.

Grade A office space in Central London has a significantly lower vacancy rate (3.5%) than other market segments signalling a continuation of the **flight to quality** described in previous editions of our survey. However, the **West End's vacancy rate, at 4.4%,** is far lower than the **City of London's, which, at 11.4%,** is the highest it has been since the 2008-2009 recession.

BNP Paribas analysis reflects that high demand for office space in the **West End** is significantly **driven by demand in Soho**, but that in 2024 there may be some cooling off. Goldman Sachs analysts have warned that heightened borrowing costs for commercial property in the aftermath of the Truss Government's unsuccessful mini-budget may see anticipated prices for commercial real estate fall between 15% and 20% from June 2022 to the end of 2024.

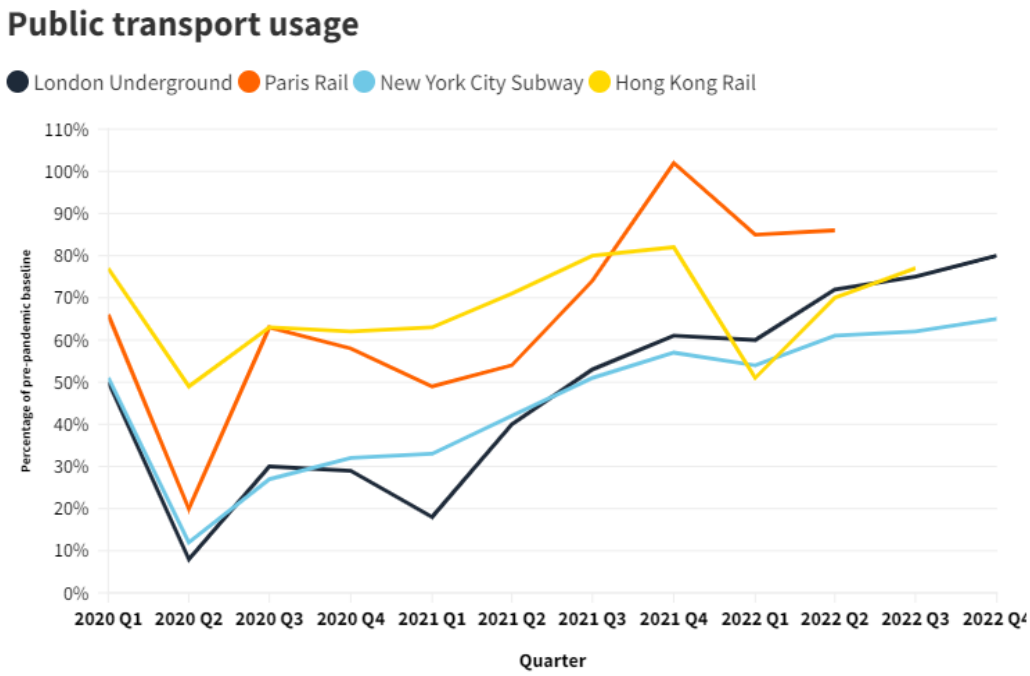
Prime office rent



Outside of Berlin, the rise in prime office rents has slowed across every city in our survey. The City of London has seen a sharp decrease in the rate at which its prime rents are growing, although this rate remains the third highest of any urban area analysed. **London's West End** continues to be a hotspot, despite a very slight decrease in the uptick in prime rents between Q2 and Q3 2022. As we have noted previously, the post-pandemic divergence between office rents in the **West End and City of London** appears to **mirror differing levels of recovery in footfall** between the two areas. Entry/exit data from the London Underground demonstrates this gap, with 'City' stations averaging peaks of between 700–750 thousand taps per day in mid-November 2022 - in comparison to 950–980 thousand in early 2020. 'Tourist' stops, which include the West End, average peaks of approximately 800 thousand - by comparison to approximately 900 thousand in early 2020.

Manhattan's sky-high vacancy rates have not yet led to falling rents for prime office space but have seen a cooling of demand. In the longer term, a recent study forecast a potential decline of 39% in the value of New York commercial office space by 2029, which would entail $453 billion loss of value.

Public transport data



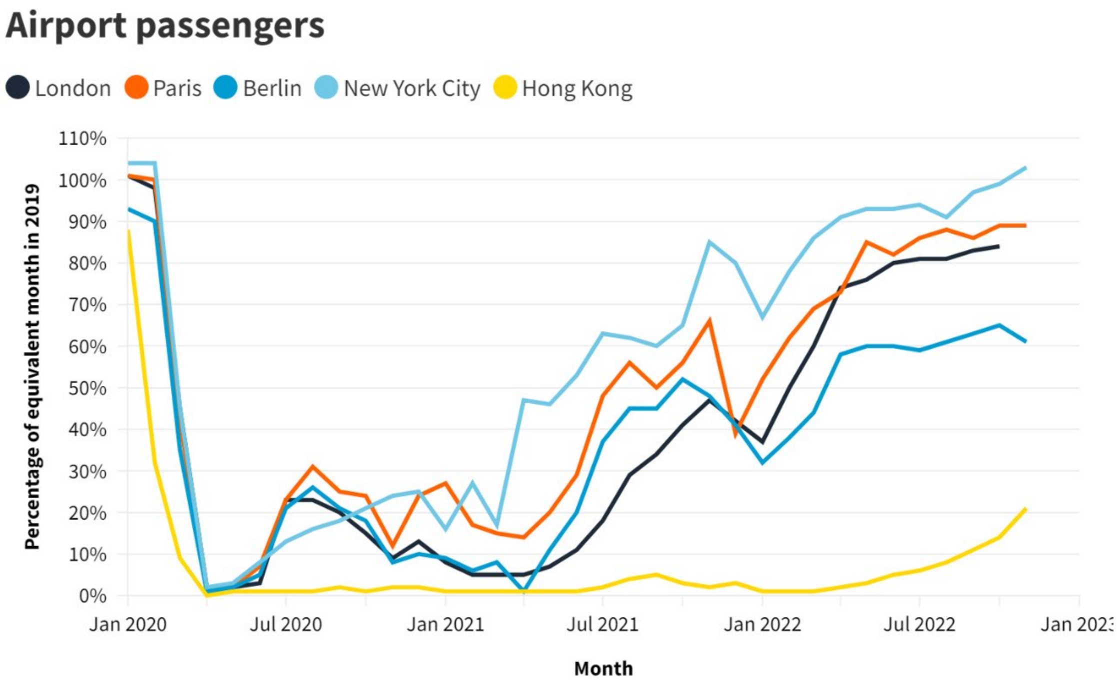
DfT, Transport use during the coronavirus (COVID-19) pandemic, Open Data Paris, Quarterly Travel Barometer, MTA, Day-by-day ridership numbers • HKTD, Monthly Traffic and Transport Digest

Across the cities for which we have reliable and up-to-date data, the strongest beneficiary of the recovery of public transport (subway/rail) is the **London Underground, which hit an 80%** average of the pre-Covid-19 benchmark during November 2022. London's passenger figures compare very favourably to New York City, where average quarterly subway ridership has still not exceeded 65% of pre-pandemic levels. New York weekends do however, see rates of 70-75%, demonstrating the strong revival of leisure travel seen elsewhere. NYC bridges and tunnels are recording usage just under or above pre-pandemic levels illustrating the regrowth of car and truck traffic as the pandemic comes to a close; and perhaps also driven in part by widespread fears about the safety of the subway.

In stark contrast, **Paris public transit is seeing a far stronger recovery, with an average of 86%** of pre-pandemic metro and RER A/B (commuter rail) usage in Q2 2022, the latest data period available.

In Q4 2021, Hong Kong rail services were servicing 82% of 2019 passenger levels. These have not yet been surpassed, as the city recovers from the harsh lockdowns imposed in 2022. However, levels still remain significantly higher than those in New York, despite Hong Kong witnessing a loss of population which was also widely reported for New York City. We expect Hong Kong public transport numbers to recover further in Q1 2023 as Covid restrictions are abandoned.

Airport passengers

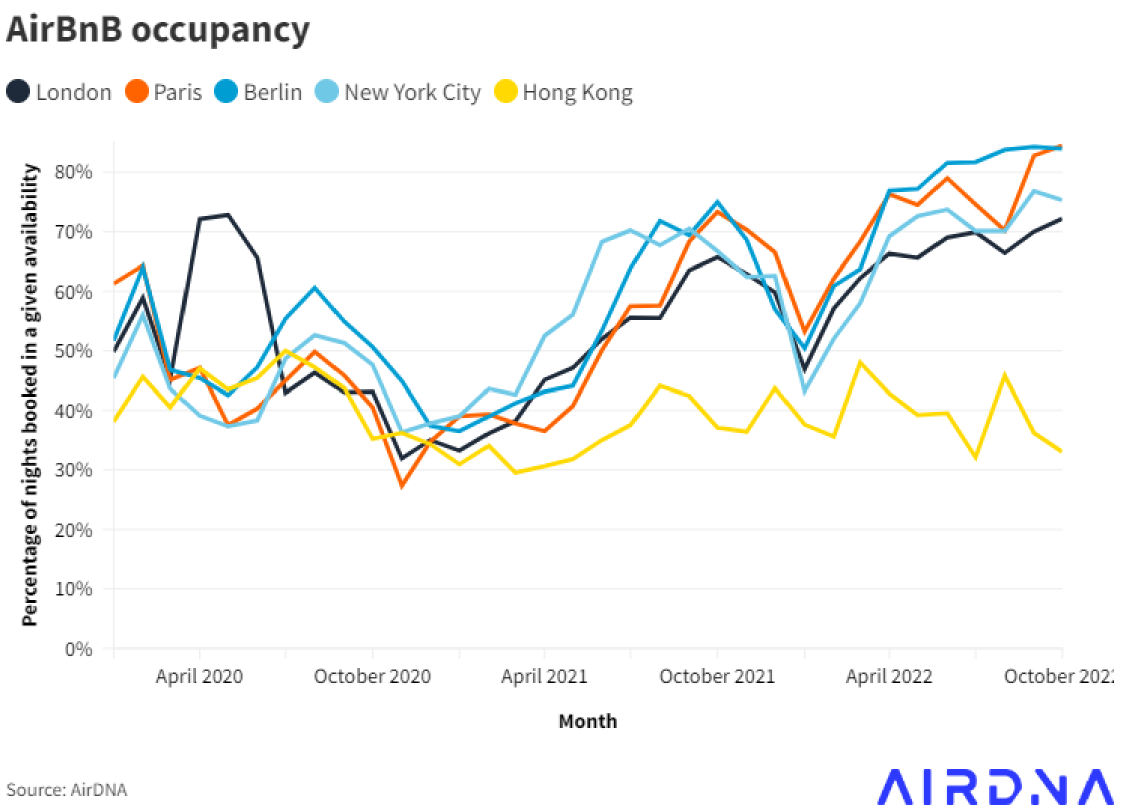


Civil Aviation Authority, Paris Aeroport, Berlin Airport • Port Authority of NY and NJ, Airport Traffic Statistics • HK International Airport
Percentage of equivalent month in 2019. London Airports are defined here as Heathrow, Gatwick, Stansted, Luton, Southend, and London City. Paris Airports are defined 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 continued to surpass all our global cities in airport passenger numbers until major disruption across the US and Canada, caused by an enormous snow storm. Traffic almost reached pre-pandemic levels in September 2022. In Hong Kong, the lifting of many quarantine restrictions required of travellers in late September 2022 signalled the beginning of a recovery in passenger numbers towards the end of 2022. Travel restrictions between Hong Kong and China have just recently been lifted which will further drive recovery.

London, Berlin, and Paris have all seen a steady recovery in airport passenger numbers. In **September 2022, London airports** clocked up the most substantial recovery in passengers in the past two and a half years, **reaching 83% of 2019 levels**. However, London's Heathrow Airport stated that future demand for airport passengers remained uncertain. Paris showed rates of recovery similar to London - at 86% of pre-pandemic figures. **Berlin lags behind**; it reached a peak of 63% of pre-pandemic levels in September 2022.

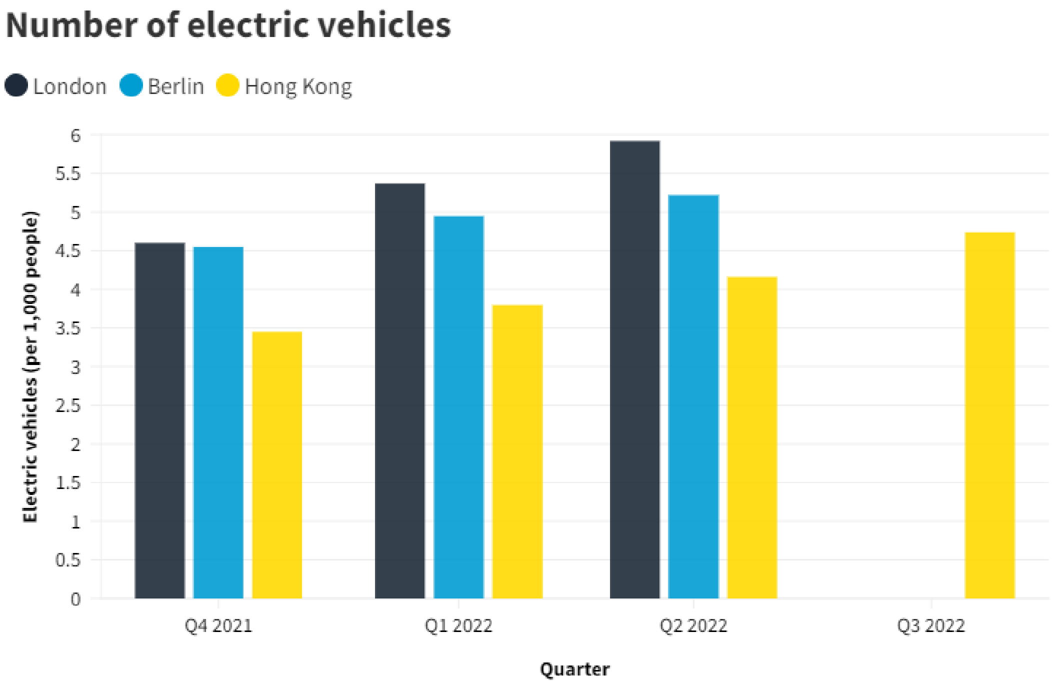
AirBnB occupancy



London, Paris, Berlin and New York have seen a steady recovery in Airbnb occupancy rates in 2022 as international visitors return. This trend has continued into October 2022 although with slowing rates of increase. Hong Kong rates are expected to pick up in Q4 figures and beyond, following lifting of quarantine restrictions for travellers to HK in September and mainland China from January 2023.

In July 2022, London's Airbnb occupancy rates (69.9%) almost equalled that of New York (70.1%), but in Q3, **London remained behind Paris, Berlin and New York**. Airbnb occupancy rates in Berlin are seeing continued steady increases, rising to the highest figure post-pandemic in September 2022 at 84.3%. This is likely due to the lifting of all Covid-19 entry restrictions in Germany in the early summer of the same year. In August, Berlin significantly surpassed London (66.4%), New York (70.1%), Paris (70.2%) and Hong Kong (45.8%) with a figure of 83.8%. However, September saw **Paris** catching up and eventually it **surpassed Berlin by 0.5%** in October 2022.

Electric vehicle ownership



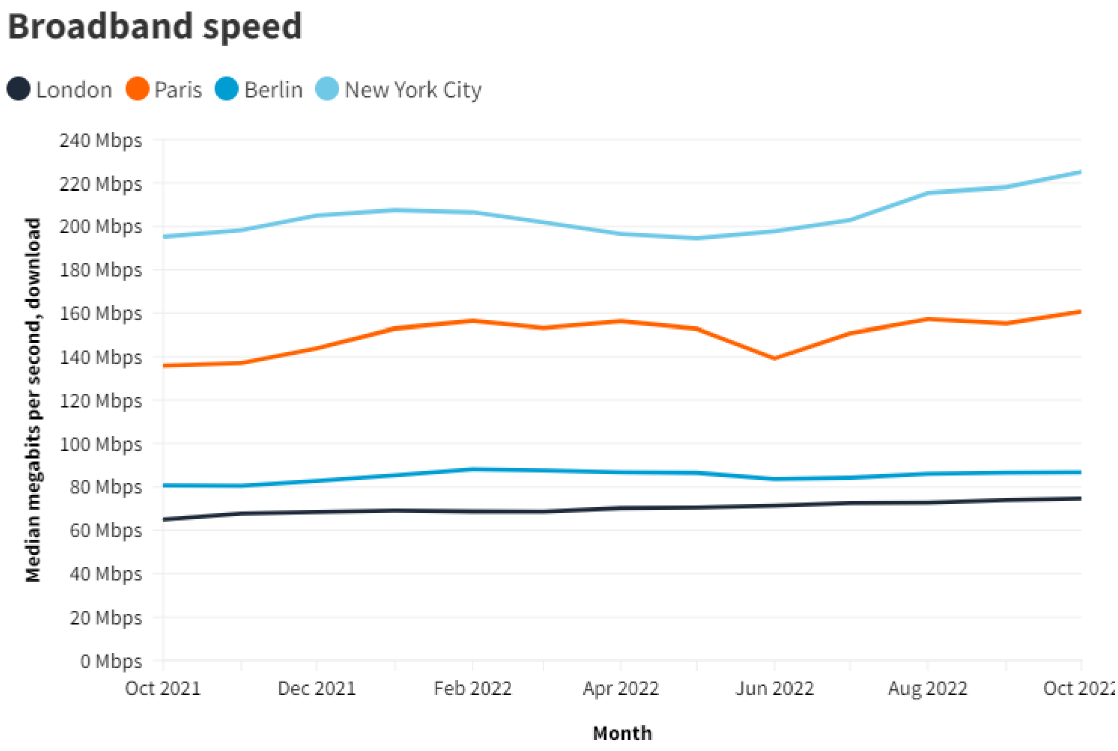
Source: DfT and DVLA, Vehicle licensing statistics data tables, KBA Vehicle Stock, HK TD, Monthly Traffic and Transport Digest
Population data: Office for National Statistics, Population and household estimates, England and Wales: census 2021; Eurostat, Population on 1 January by age group; , sex and NUTS 3 region; The World Bank, Population total - Hong Kong SAR, China

London is the leading city for electric car ownership, with **5.9 licensed electric cars per 1,000** population in Q2 2022. A favourable tax regime and London's electric vehicle charging infrastructure may have helped encourage ownership in London; with over 11,000 charging points - 1.3 charging points per 1,000 people. The city leads in electric vehicle charging provision compared to our other global cities. Electric vehicle charging infrastructure in London has also supported the electrification of the taxi fleet, which has been encouraged by mayoral policy.

Berlin closely follows London's progress in EV ownership, with **5.2 registered electric cars per 1,000** of the population in Q2 2022. Berlin and Paris have comparable provision of public charging points, providing 0.30 and 0.36 charging points per 1,000 people respectively.

Although Hong Kong's provision of charging points exceeds that of Berlin at 0.71 charging points, its electric car ownership remains the lowest from the available comparable data, although it has been steadily increasing across the last four quarters to Q3 2022.

Broadband speeds



Source: Speedtest Global Index

When measured in terms of download speed, **London consistently has the worst quality broadband** of any of our global cities for which data is available. With an average rate of just **under 75Mbps** it is the 71st out of 194 cities measured. In contrast, New York City, had the third fastest average download speeds of any city in the world measured (below Beijing and Shanghai). **NYC** which also prides itself on its pre-eminence in financial and professional services and tech, dominates our global cities with a speed of **225Mpbs - a full 40% faster than Paris, which comes in second**. Analysis from 2019 explains London's poor performance by reference to limited resources and investment on the part of BT Openreach and Virgin, the main providers of fibre broadband. This has apparently limited the installation of 'fibre-to-the-premise' set-ups, which eliminates the effect of copper telephone lines.

Appendix

Economic growth

Official economic growth data at a city level is proving increasingly problematic to obtain for London.[9] Publication for many cities tends to lag behind national level data which is why we have included national figures in our chart.

Inflation

Amongst OECD members, energy expenditure has now reached an average level of 17.7% of GDP – almost as high as during the energy crises of the 1970s and 1980s.

US inflation is widely considered to be more broad-based than that experienced in Europe, due to the country's comparatively greater level of energy independence. A survey conducted by McKinsey and Company reflects this, with 41% of respondents in Europe citing energy as the area in which cost increases have most affected their business, compared to only 16% in North America; 37% of American respondents cite wages, compared to just 12% of Europeans.

Given the fear of a wage-price spiral, the Federal Reserve has raised its federal fund rate to nearly 4% in November 2022 and by a further half percentage point in the last month of last year**.** According to the President of the Federal Reserve Bank of San Francisco, Mary Daly, rates are likely to peak at around 5%. These interventions accompanied by the easing of supply chain problems for imported and semi-finished goods are the most likely drivers of softening inflation in the United States.

Back home, the Bank of England now thinks that inflation will fall sharply from mid-2023, due to the UK government's cap on energy prices, an easing of supply chain delays and a recession-induced drop in demand in the UK. Across the UK, October data shows that wages have only kept up with inflation in the professional and scientific industry, a classification that includes lawyers, scientists, and engineers. At the same time, public sector wages have risen by only 2.2%. Analysis from the Joseph Rowntree Foundation suggests that low-income Londoners are the most likely to be unable to pay for essentials and are experiencing more food insecurity than residents of any other region in the UK.

Consistently lower inflation figures in Hong Kong are - the result of the high weighting assigned to housing costs in the country's inflation index which are

[9] The Office for National Statistics has cancelled its "nowcasting" of UK regional GVA since Q1 2022. There is currently no way to access official estimates of economic output for Greater London on an ongoing basis.

still falling. However, the rising cost of energy caused by Russia's invasion of Ukraine is beginning to impact the Special Administrative Region, which is threatened with an almost 50% year-on-year rise in electricity costs at the start of 2023.

Employment & job vacancies

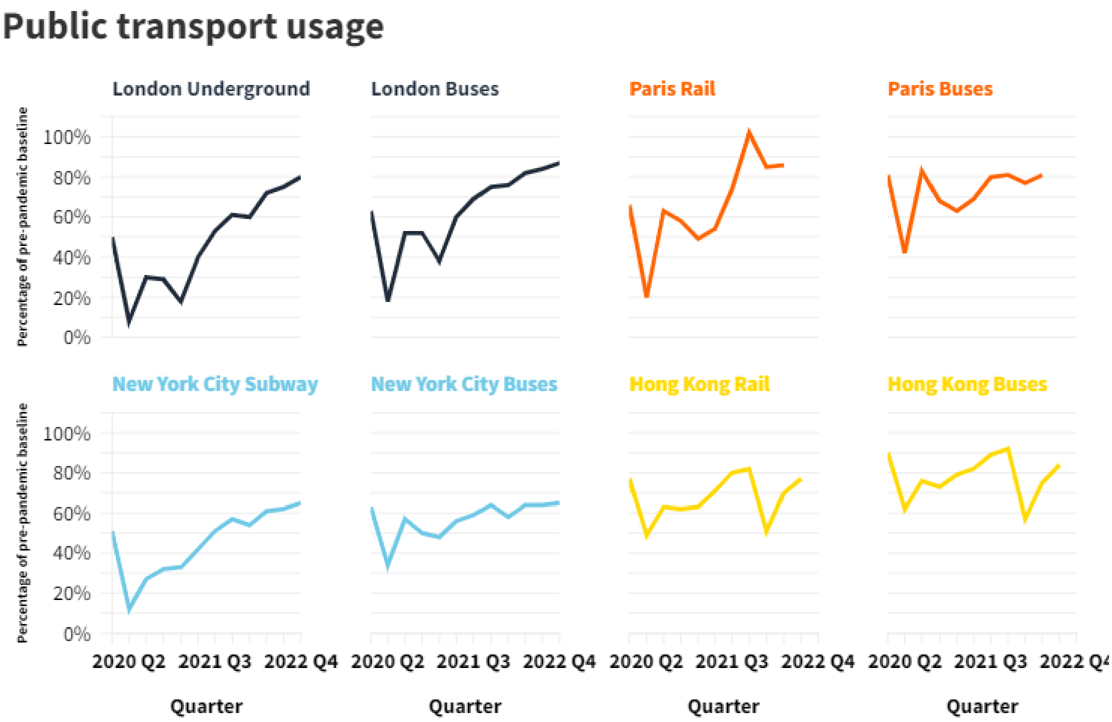
The composition of the workforce in London appears to be changing in the face of labour shortages; a post-Brexit loss of 121,000 EU workers in the hospitality sector in the last two years has led to workers 50 and older now making up a quarter of the sector's workforce. The 'great unretirement', as some have dubbed it is seeing older workers return to work across advanced economies. This may accelerate yet further given rising cost of living and insufficient pension savings for many.

In Hong Kong, harsh Spring lockdowns quashed labour demand in March 2022 with such ferocity that job postings were almost 25% *below* pre-pandemic levels. But in the months since our last edition, the city region has seen a rapid spike in demand. Hong Kong is now seeing its highest relative level of job postings since the start of the pandemic; almost a fifth higher than before it began.

Office vacancy rates

The West End's vacancy rate, at 4.4%, is far lower than the City of London's, which, at 11.4%, is the highest it has been since the 2008-2009 recession. BNP Paribas analysis reflects that high demand for office space in the West End is significantly driven by demand in Soho, but that in 2024 there may be an increase in vacancies. Goldman Sachs analysts have, however, warned that heightened borrowing costs for commercial property in the aftermath of the Truss Government's unsuccessful mini-budget may see anticipated prices for commercial real estate fall between 15 and 20% from June 2022 to the end of 2024.

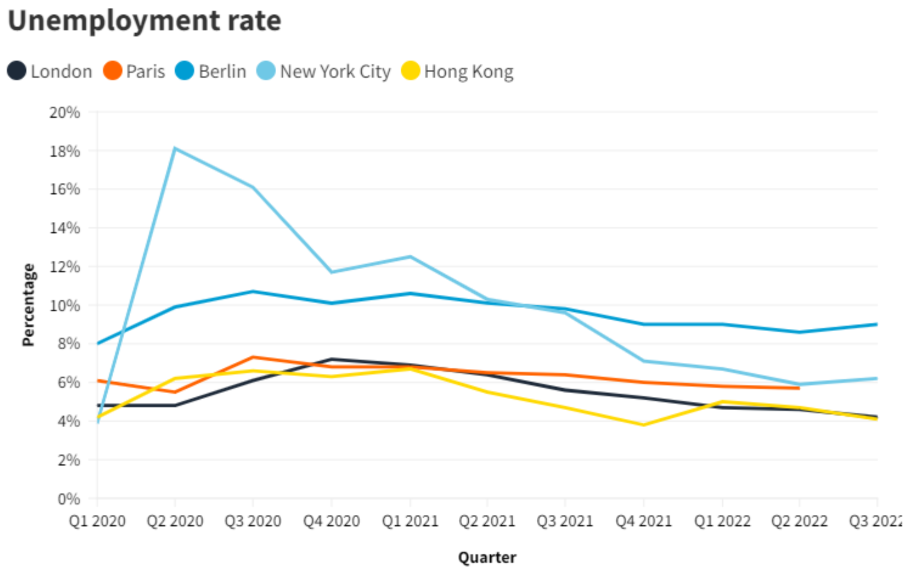
Public transport use



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

Bus ridership in London has recovered faster than Tube ridership throughout the pandemic and its aftermath, with absolute levels of usage generally being up to one and a half times that of the Tube. In November, buses saw 87% of pre-pandemic ridership. This reflects the significantly lower cost of buses than the Underground and their far greater coverage of the city, particular south of the river.

Unemployment



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.

At 4.2%, London recorded its lowest post-pandemic quarterly unemployment rate. It has fallen steadily since reaching a recent high of 7.2% in Q4 2020. However, when compared to the rest of the UK, London still has the second highest unemployment rate of any region. GLA analysis shows that unemployment in outer London remains higher than in inner London. However, at 22%, the economic inactivity rate for London remains higher than late 2019 figures.

Recent polling and analysis have challenged the view that poor health is the main driving factor for increased economic inactivity, instead suggesting that retirement and caring responsibilities appear to be a larger driver of shifts out of work than sickness or disability. The growth in inactivity seen over this period is somewhat masked by the historically low levels of inactivity seen towards the end of 2019, which are attributed to higher female labour market participation, perhaps due to the rise in the state pension age for women.

Unemployment rates in both Berlin and New York have risen for the quarter under review. Compared to London, Paris and Hong Kong, Berlin and New York have suffered consistently higher unemployment rates following the pandemic. Berlin continues to be the city with the highest unemployment level, having returned to 9% despite a slight decrease in the previous decreases.

Perhaps surprisingly, Hong Kong has seen a decrease in unemployment, with the lowest rate of all our global cities this quarter at 4.1%. This may at least in part have been enabled by the end of Hong Kong's Omicron wave. The region's officials have argued that the improvement to city's labour market has been partly supported by the second phase of the government's consumption voucher scheme. Vouchers can be used at local retail, catering, or service outlets. However, research from Oxfam Hong Kong, points to high levels of poverty amongst those not working, with 50% of those unemployed or aged 65 or over living below the poverty line.

Footfall

Since our last edition, Google has stopped publishing its Covid-19 Community Mobility Reports, meaning there is no longer internationally comparable source of data on footfall patterns. However, using other datasets, we have pieced together a picture of trends towards the end of 2022.

A recent Kings College London research project found that London has become the home of hybrid working within the UK. The capital had the highest proportion of remote workers in the UK before the pandemic began and Londoners are more likely to work in professional services and information and communication services than those in the rest of England; professions which can switch online relatively easily.

This is reflected in an Arup-led study, which found that in the summer of 2022, office attendance levels in London were half as high as in 2019. Data from Remit Consulting included in the study confirmed that Thursday is becoming the busiest day of the week for in-office working, whilst Friday only sees an average of half of these figures. The report predicts that hybrid working is here to stay for London office workers for the foreseeable future and recommends that employers seek to achieve the “best of both worlds” between office-led agglomeration and the productivity increases reported by those working from home.

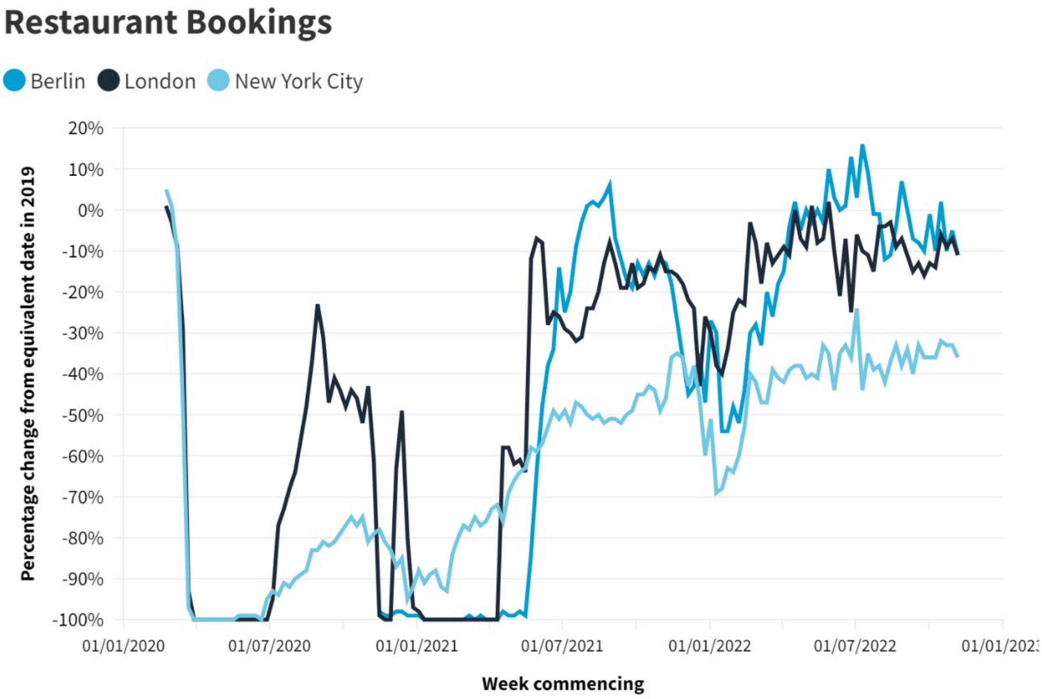
If this indeed is the case, it would represent a highly significant change to pre-Covid norms for some employees, employers, and sectors, and the long-term impacts of hybrid working on productivity and competitiveness are uncertain, including on agglomeration-related economic growth and sustainability.

Overseas, data from Autumn 2022 found that Paris’ CBD had the highest average occupancy rate of any surveyed at 54% - compared to a European average of 70-75% pre-pandemic – far higher than the City of London’s 32%.

Kastle, a firm which provides access control systems to office buildings, reports that offices in the New York metropolitan area are now (in mid-November) seeing an average of 47% occupancy, falling to just under 26% on the lowest occupied day of the week: Friday. This latter figure is the single lowest minimum of any city sampled, whilst New York’s most occupied day, at over 58% occupancy, is above the average for the top 10 largest metropolitan areas in the United States. Metropolitan areas in California associated with the tech industry, like San Francisco and San Jose, display significantly lower occupancy rates across the week, potentially reflecting longer standing patterns of remote work in such industries.

Combined with the cost-of-living crisis, hybrid working is continuing to affect negatively in-person retail spending in Greater London. Mastercard data shows that 2022 is the only year in the half decade sample where retail spending *reduced* from July to September, with significantly higher falls in retail spending in ‘Major’ and ‘Metropolitan’ town centres than in ‘District’ and ‘High Street’ examples, reflecting the effects of hybrid working.

Restaurant bookings

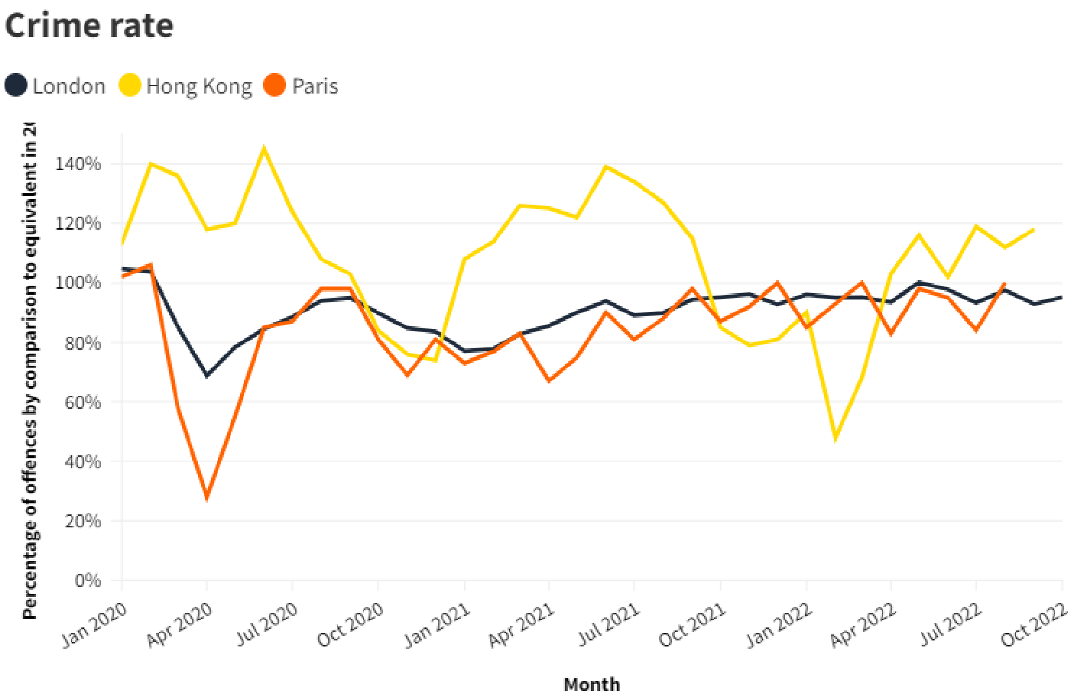


Source: Opentable • Daily data has been averaged into 7-day rolling periods. No comparable data available for Paris or Hong Kong.

At the start of July 2022, Berlin witnessed its biggest recovery in restaurant bookings following the pandemic, reaching 116% of 2019 rates. However, recovery rates have not remained consistent across this quarter, falling back to under 90% of pre-pandemic rates on multiple occasions from August to October 2022.

In contrast, restaurant bookings in London have not surpassed pre-pandemic rates since May 2022. The UK's cost-of-living crisis has led to a declining demand for restaurants, with booking rates falling to 85% of pre-pandemic levels in July and remaining consistently under 90% of pre-pandemic levels across September. A recent survey by UKHospitality, the British Beer and Pub Association and the British Institute of Innkeeping and Hospitality Ulster found that over three quarters (77%) of hospitality operators have seen a decrease in individuals eating and drinking out and 85% expect this to get worse going forward. The survey also revealed that more than a third of the UK's hospitality sector is at risk of business failure in early 2023 due to the rising costs of energy and food. The impact of intensified rail related industrial action in late 2022 will have unquestionably added further downward pressure on the UK's leisure and hospitality sectors. New York City continues to show a much slower recovery in restaurant bookings, maintaining rates which are 30-40% lower than 2019 levels.

Crime



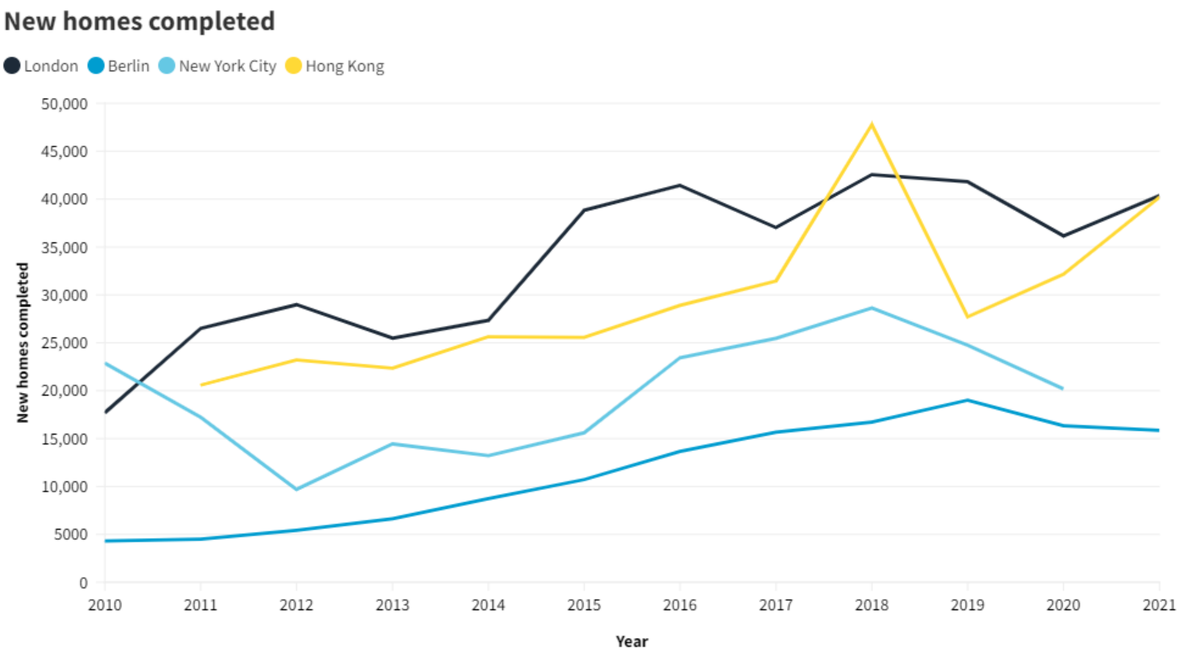
Source: Metropolitan Police, Ministere de l'Interieur, Hong Kong Police Force • Hong Kong data is limited in availability, Berlin only publishes annual data, showing a minor decrease to 98% of 2019 crime rates in 2020, NYC data is inconsistent between months.

In October, the crime rate in London reached 95.1% of its corresponding 2019 level. The Mayor of London 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. The total number of criminal offences committed in London to the end of October 2022 is 9.4% higher when compared to the previous year.

Crime in Paris reached 100% of benchmark levels in August 2022, the latest month for which data is available at the time of writing.

Hong Kong witnessed significant month-on-month variation in crime rates in Q3 2022, moving between 112% and 119% of benchmark levels.

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.

Only London has released new data since our last global city survey. Q3 2022 saw 9,769 new dwellings constructed – slightly fewer than Q2's 10,216. Assuming a linear continuation of current trends, 2022 would see 38,231 new homes completed, representing a modest decline on 2021 (which were similar to Hong Kong's). In 2023, it is likely that rising interest rates and falling demand for new homes will cause construction in London to dampen further, with the leadership of three major UK housebuilders (Redrow, Persimmon, and Taylor Wimpey) warning they would slow investment and reduce building rates.

Electric vehicle ownership

In order to encourage the transition to EVs, the NYC Department of Transport has planned an increase in kerbside stations, with 1,000 slated to 2025 and 10,000 by 2030.

In October 2022, French President, Emmanuel Macron announced larger subsidies for lower-income households to buy electric vehicles, increasing next year from 6,000 euros to 7,000 euros, falling to 5,000 euros for higher income earners.

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