London Property Alliance

Global Cities Survey

June 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

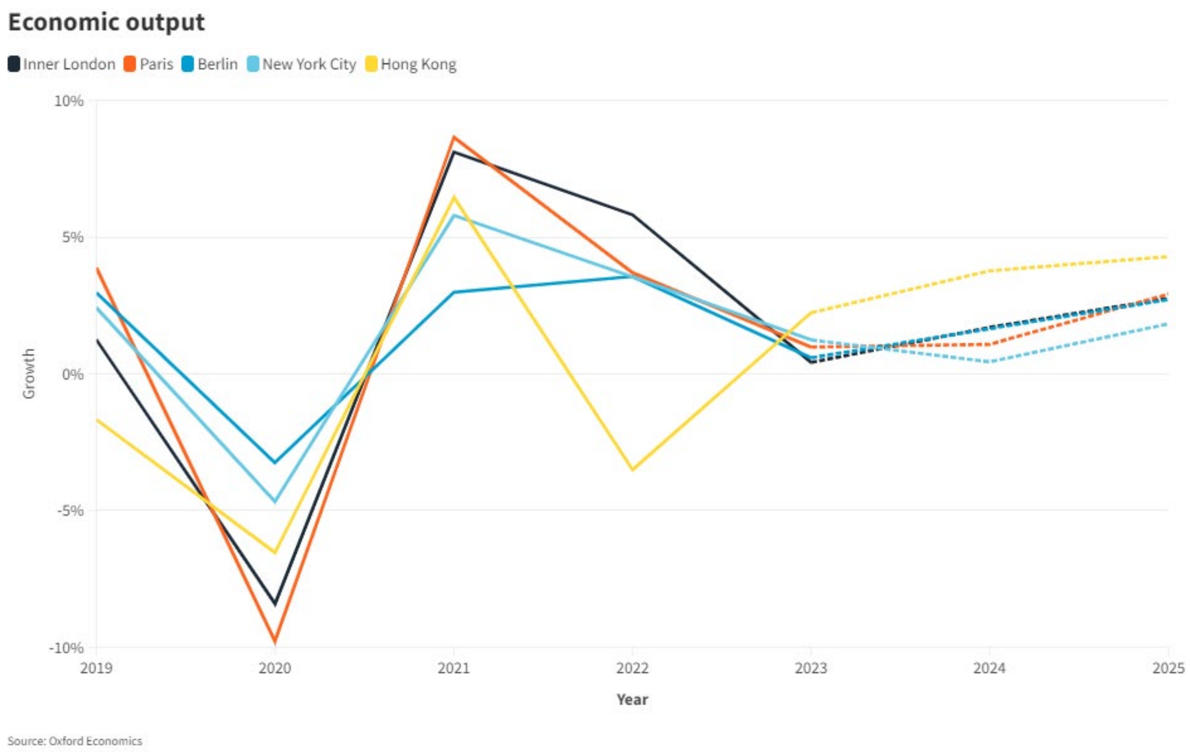
The research is undertaken by Centre for London, an independent urban policy think-tank using a range of indicators including economic growth data from Oxford Economics, and for the first-time, social media visibility data from ING Media. In the survey, London is compared to New York, Paris, Berlin and Hong Kong. As the UK's leading world city, London's quest for talent, private sector investment and visitors is global. The capital acts as a gateway for the rest of the UK especially for business, visitors and investment. Our analysis aims to promote a better understanding of London's economic performance on the world stage. The London Property Alliance considers that London can only play its full role in national growth and prosperity 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

Detailed analysis

Economic output

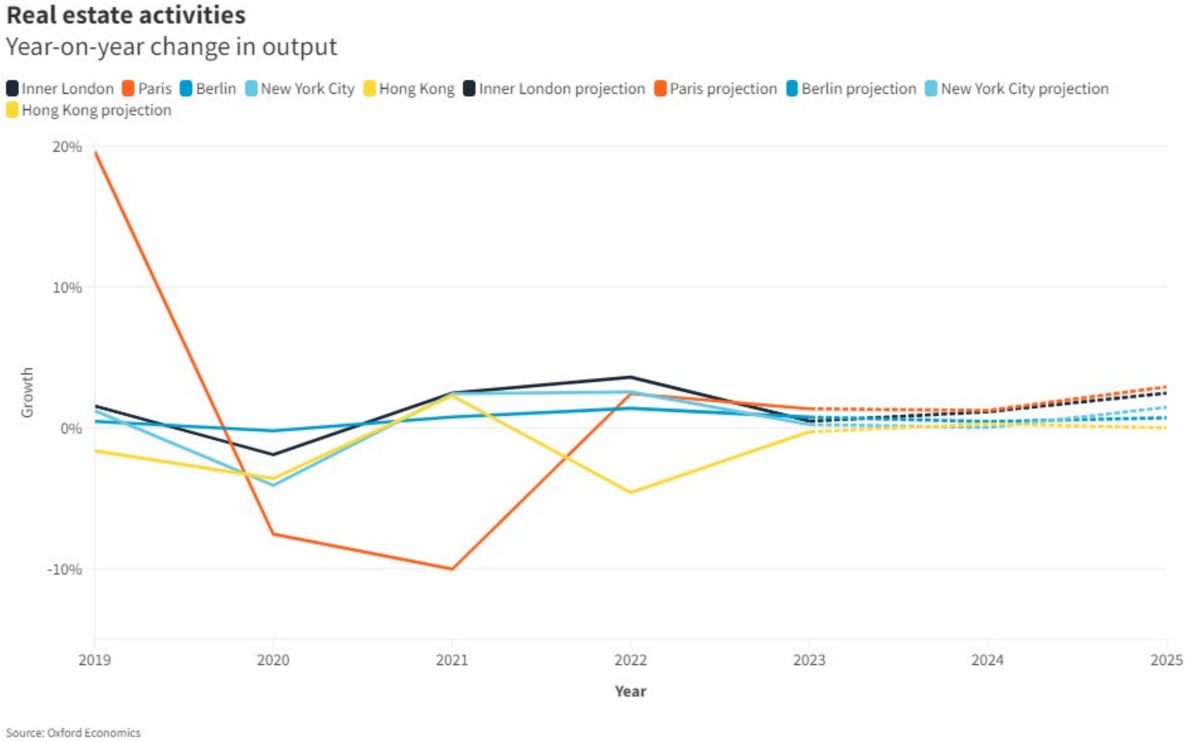


Oxford Economics' latest forecast suggests Inner London will narrowly avoid a decline in economic output in 2023, instead achieving a rise of 0.42%, similar to Berlin (0.59%) and slightly slower growth than Paris (0.98%) and New York (1.24%). An earlier forecast in December 2022 predicted a small decline in Inner London's output, demonstrating the city's better than expected resilience over the first half of this year.

Perhaps driven in part by the bounce back other cities saw when their Covid restrictions largely ended two years ago, Hong Kong is the city with the strongest predicted growth for the next two years, peaking at 4.3% in 2025. This is, however, a half a percentage point lower when compared to numbers prepared last December. On the other hand, New York City is forecast to show the weakest growth of any of our cities over the mid-2020s, averaging almost a full percentage point lower than its European competitors.

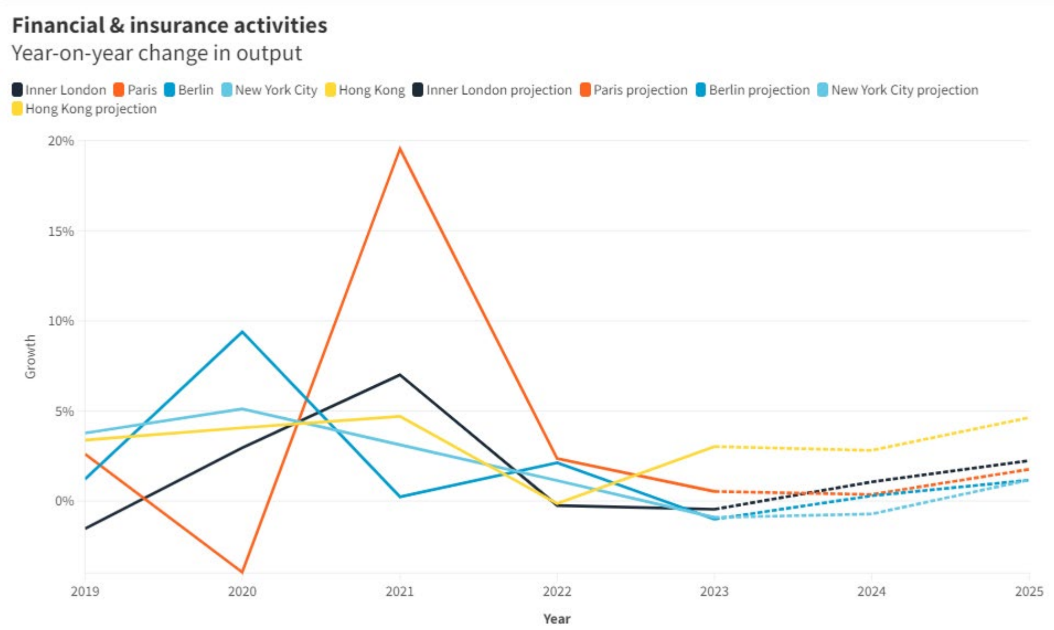
Sectoral output

Real estate activities



Looking at the real estate sector, Paris has seen the most dramatic variation in output of any of our cities in recent years, including a year-on-year increase of a full 20% in 2019, followed by sharp falls in 2020 and 2021. In absolute terms, New York's real estate sector is by far and away the largest of any of our cities, accounting for nearly $236 billion of output in 2023 (in 2015 dollars), as opposed to $54 billion in Inner London. After a small decline in output in 2020, Inner London's real estate activity recovered (2021 and 2022) but is forecast to see falling growth in 2023 amid the downturn in global real estate markets. This is likely a result of rising interest rates, alongside the adjustment in the commercial real estate market to the long-term effects of hybrid working. However, London's real estate market is predicted to return to significant growth in the mid-2020s, reaching a 2.5% per annum increase in 2025.

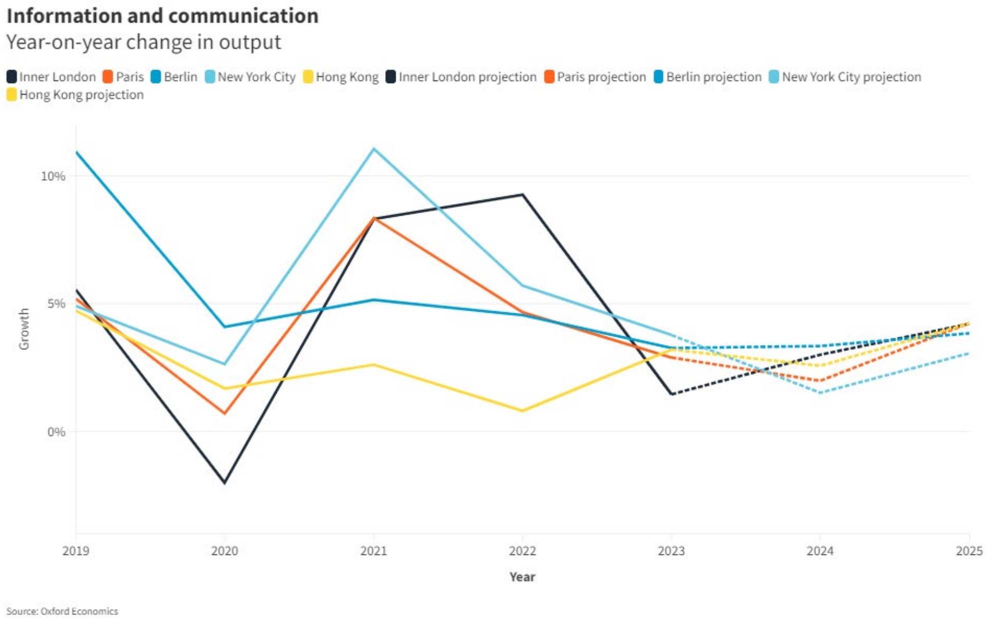
Financial & insurance activities



Source: Oxford Economics

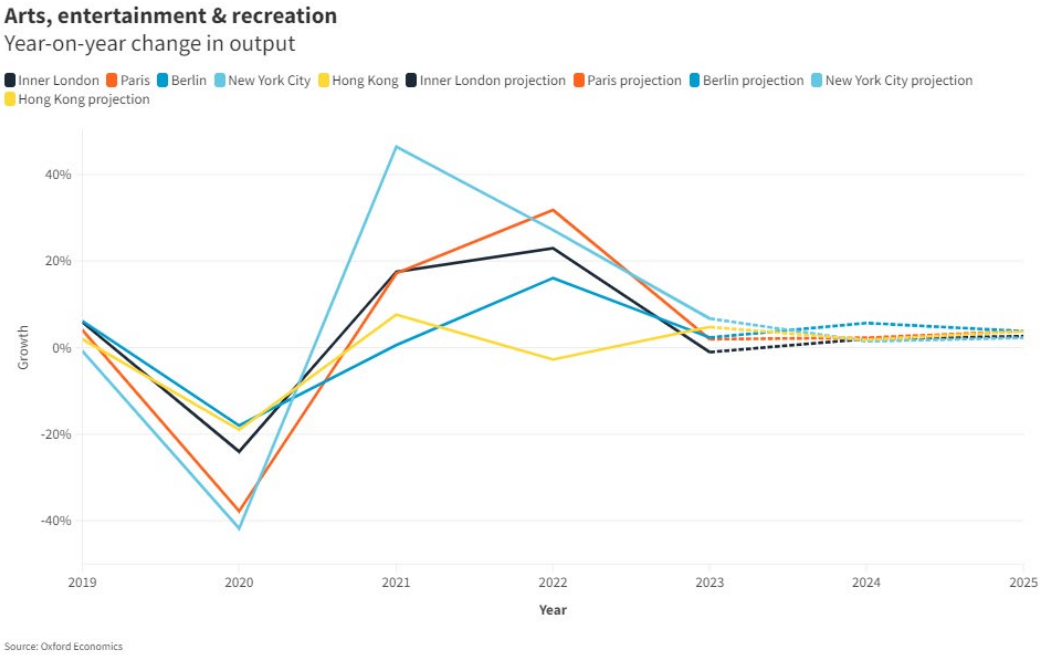
In the finance and insurance sectors, London is second only to Hong Kong in its projected rates of growth with Paris in third place. Hong Kong is set to experience a sustained recovery after 2022, with projected growth rates above 2% up until 2025. This follows the profound slowdown caused by super long-term lockdowns and the exodus of private sector employers and indeed workers from the region.

Information and communication



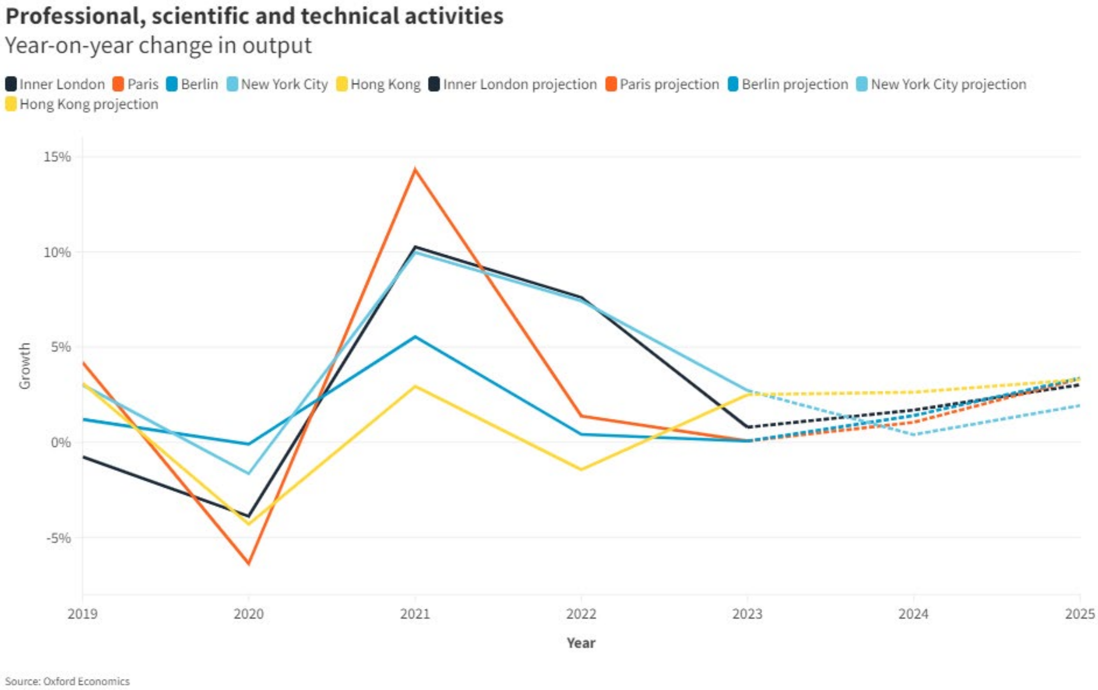
Information and communication, which had provided the strongest growth engines of any sector in our European cities and in New York, is forecast to show slowing growth rates across the mid-2020s. Inner London's dominant 9% growth in information and communication in 2022 is set to fall to just 1.5% in 2023, and plateau within the group average of 2-4%.

Arts, entertainment & recreation



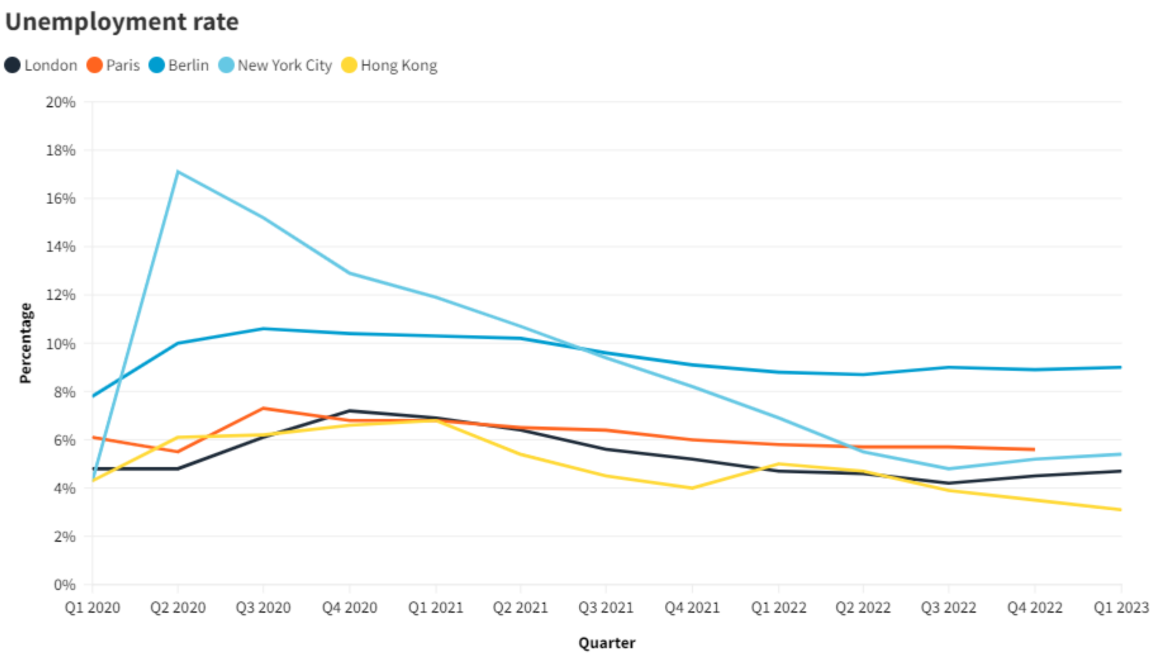
In the field of arts, entertainment, and recreation, New York City has seen very high volatility in output, with a fall of over 40% in 2020 followed by growth of 46% in 2021 – demonstrating the crushing effect of 2020's lockdowns on live music and theatre. London is the only city in the group to be projecting a decline in the arts sector in 2023 before staging a recovery in 2024 and 2025.

Professional, scientific and technical activities



Industries within the professional, scientific, and technical activities sectors, such as law and accounting, management consultancy and scientific research, form an integral part of the 'Knowledge Intensive Business Services' (KIBS) widely considered vital to prosperous urban economies in the modern age. Following a slowdown seen everywhere except for Hong Kong, London's growth for this sector is slowing sharply in 2023 from nearly 8% in 2022 to just under 1%.

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.

According to the most recent data available, the unemployment rate in London grew to 4.7% in Q1 2023. London is now the region with the highest unemployment rate across the UK. As always this might reflect the fact that newcomers to the city are often looking for work. The overall unemployment rate across England has also grown, reaching 4.0% in the first quarter, reflecting softer conditions in the jobs market.

The unemployment rate in Paris remained relatively stable across 2022, falling by only 0.2 percentage points by year end. Hong Kong continues to have the lowest unemployment rate of all our global cities, at 3.1% in Q1 2023, its lowest rate post-pandemic. Revised figures for New York City reveal that the city witnessed its lowest unemployment rate post-pandemic in Q3 2022, at 4.8%.

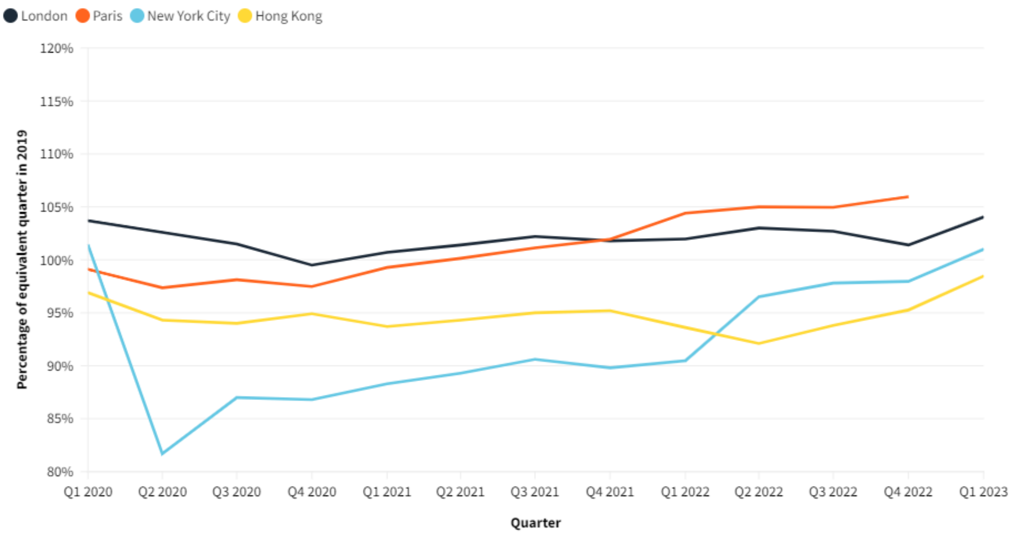
However, the unemployment rate in New York has grown across the last two quarters, reaching 5.4% in Q1 2023. Stark racial differences can be seen in joblessness in New York City this year, with Black and White unemployment rates sharply diverging for the first time this century. In Q1 2023, the unemployment rate for Black non-Hispanic workers was 12.2%, having risen over the year, compared to 1.3% for White non-Hispanic workers, a decline from 4.8% the year before.

Berlin continues to lag behind the other global cities, with unemployment rising back to 9.0% in Q1 2023, after falling to 8.9% in the previous quarter.

*historical data for NYC has all been updated with recently published revised figure

Employment

Recovery of employment

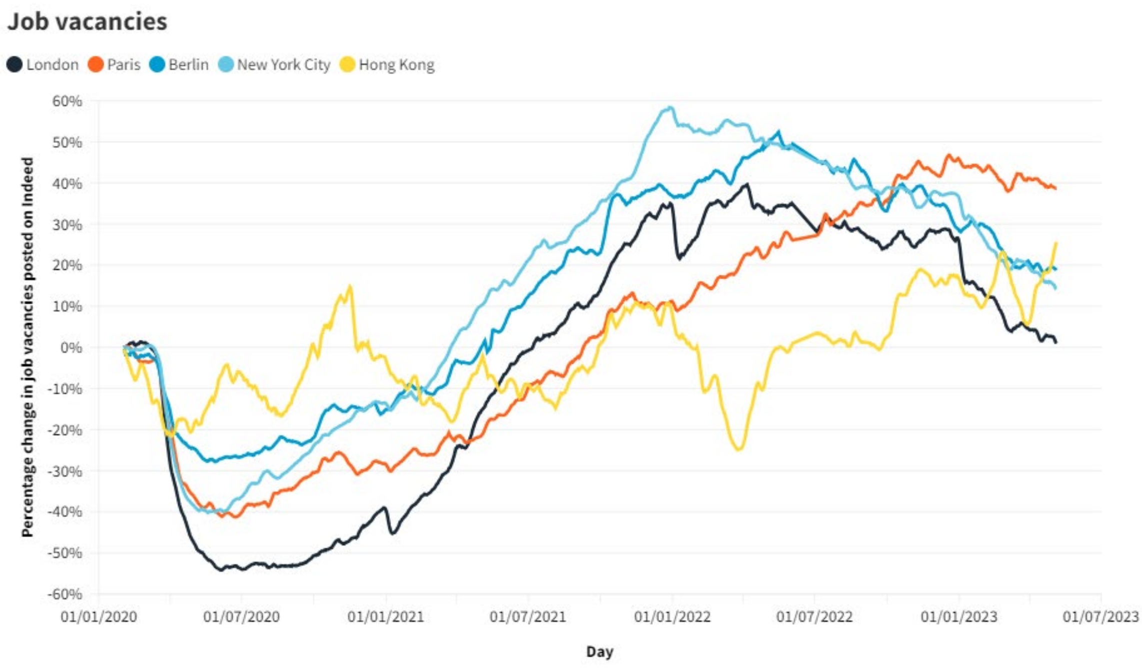


Office for National Statistics, INSEE, New York State Department for Labor • The Government of The Hong Kong SAR.
Berlin data unavailable. Only Île de France data available (not updated for Q1 2022). London uses the Labour Force Survey

Paris continues to lead in employment recovery, with numbers at 106% of 2019 figures in Q4 2022. London's employment numbers also continue to surpass pre-pandemic levels. The cost-of-living crisis has may mean that some previously inactive people are coming back to employment, with the economic inactivity rate declining in London; it is now under 30% for the first time since 2021. Analysis by the Office of National Statistics has found that the UK's inactivity rate, which rose during the pandemic, could have been even higher in 2022 had the cost-of-living crisis not pushed people back into work.

Analysis by Rest Less, an online community for over 50s that offers advice to older workers, found that Britons are now more likely to work into their 70s as a result of rising costs. Recently released data from the 2021 Census in England and Wales revealed that London now has a greater proportion of older people working compared to elsewhere in the country, with 14% of over 65s still at it in the capital. The number of people employed in New York City surpassed 2019 figures for the first time since the beginning of pandemic in Q1 2023. In December 2022, several of the city's major industries had more people employed than pre-pandemic, including healthcare (up 57,000 from February 2020), professional services (up 14,600), and information (up 242,300). However, the city's arts and entertainment, accommodation and food services, and retail industries—which accounted for 20% of private employment pre-pandemic—had a combined employment deficit of 103,900 jobs in December 2022 relative to February 2020.

Job vacancies



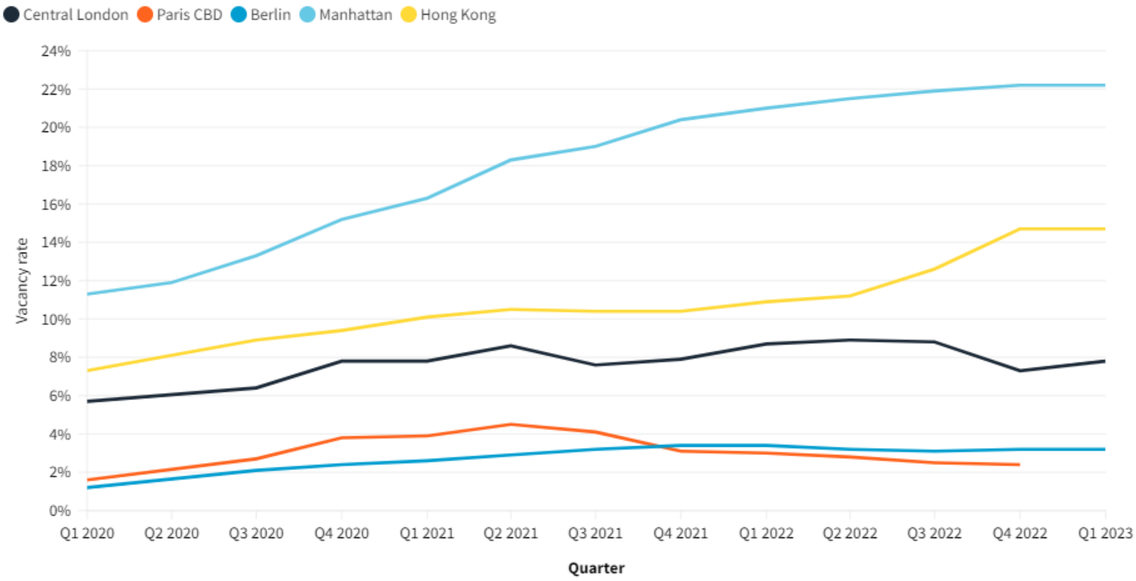
Source: Indeed • Data shows number of job vacancies posted on Indeed compared to pre-pandemic (01/02/2020) for Greater London, the Paris region, the Berlin region, New York metro area and Hong Kong.

Relative to pre-pandemic figures, the number of job vacancies is lowest in London of any of our cities. While demand for labour is spiking in reopened Hong Kong, London saw vacancy levels only 1-3 percentage points above pre-pandemic averages in early May. Notwithstanding the buoyant numbers in employment noted earlier, this perhaps demonstrates that the tight labour market of the last year has begun to loosen in the face of interest rate rises and fears of an oncoming recession.

In Paris, on the other hand, late 2022's astronomical rise in vacancy numbers has slowed, but the city continues to demonstrate the highest demand for new employees of any of our sample, hovering some 40% above 2019 levels in early May of this year. While the percentage change in job vacancies is clearly falling across every city outside of Hong Kong, New York and Berlin continue to demonstrate demand 15-20% above pre-pandemic levels – very significantly above London's average of less than 2% in the first week of May.

Office vacancy rates

Office vacancy rate

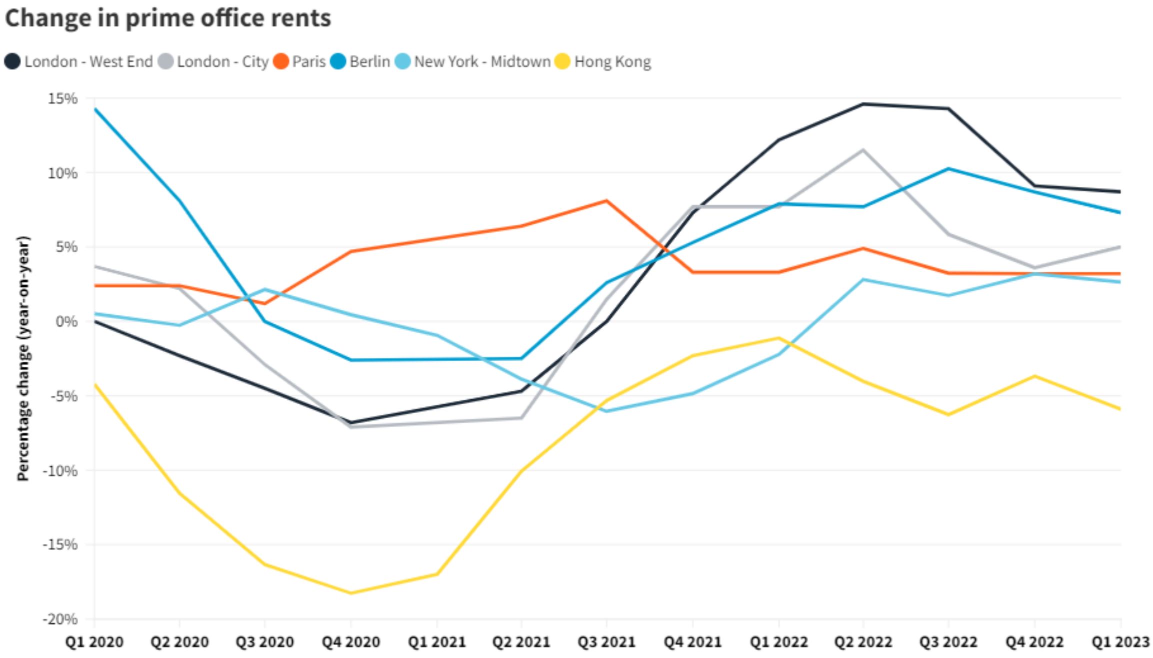


Source BNP Paribas Central London, BNP Paribas IDF, BNP Paribas Berlin • Cushman Wakefield • Colliers
In Q1 2020, BNP Paribas did not produce European editions of its quarterly update, we instead used: Knight Frank: London • Colliers: Paris• Savills: Berlin Only available NYC data is Manhattan-specific,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

At over 22%, office vacancy rates in Manhattan have stayed extremely high, but the rate of increase has slowed - plateauing in Q1 2023. Central London vacancies are nearly two thirds lower than for NYC, at 7.8%.

Hong Kong's vacancy rates saw a sharp increase in Q4 2022, rising by 2.1%, and remaining at this level through Q1 2023. According to a Colliers report, this rise can be attributed to an abundance of supply, with over 4 million square feet of new Grade A space coming on to the market in 2022.

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

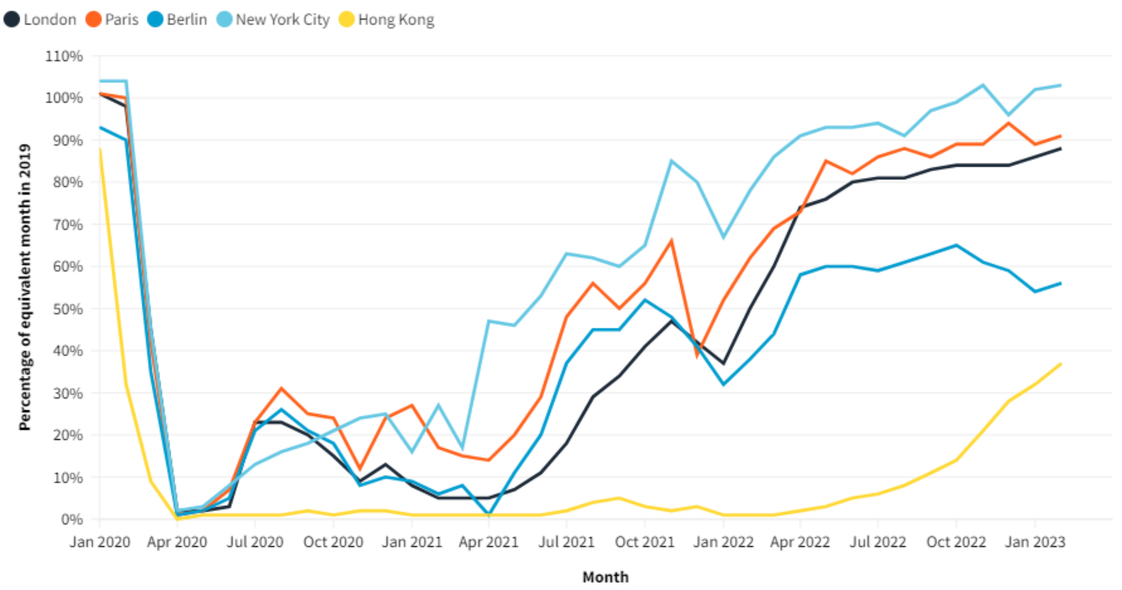
Though prime office rent increases in London's West End continue to be the highest of all urban areas analysed, since Q3 2022, it has slowed. In particular, London's West End saw a notable decrease in the rate at which its prime rents were growing in Q4 2022; 9.1% down from 14.3% in the previous quarter.

Office rents in the City of London also witnessed a slower rate of growth in Q4 2022 compared to the previous quarter, but increased again at the start of 2023. In contrast, rents in Manhattan and Berlin have ticked up at a slower rate in Q1 2023 than Q4 2022. The rate of growth in Paris has remained consistent across the past three quarters analysed.

In Hong Kong, prime office rents continue to decline, with Q1 2023 seeing the biggest decrease in year-on-year rent changes since 2021. Analysts at CBRE have argued that despite the recent reopening of borders with mainland China, which many hope will increase demand for office space, it is unlikely that office rents will rise significantly in Hong Kong. Multi-national companies remaining cost- cautious on expansion plans and escalating vacancy pressures were cited as factors that will continue to weigh on the market until demand is strong enough to reverse this trend.

Airport passenger demand

Airport passengers



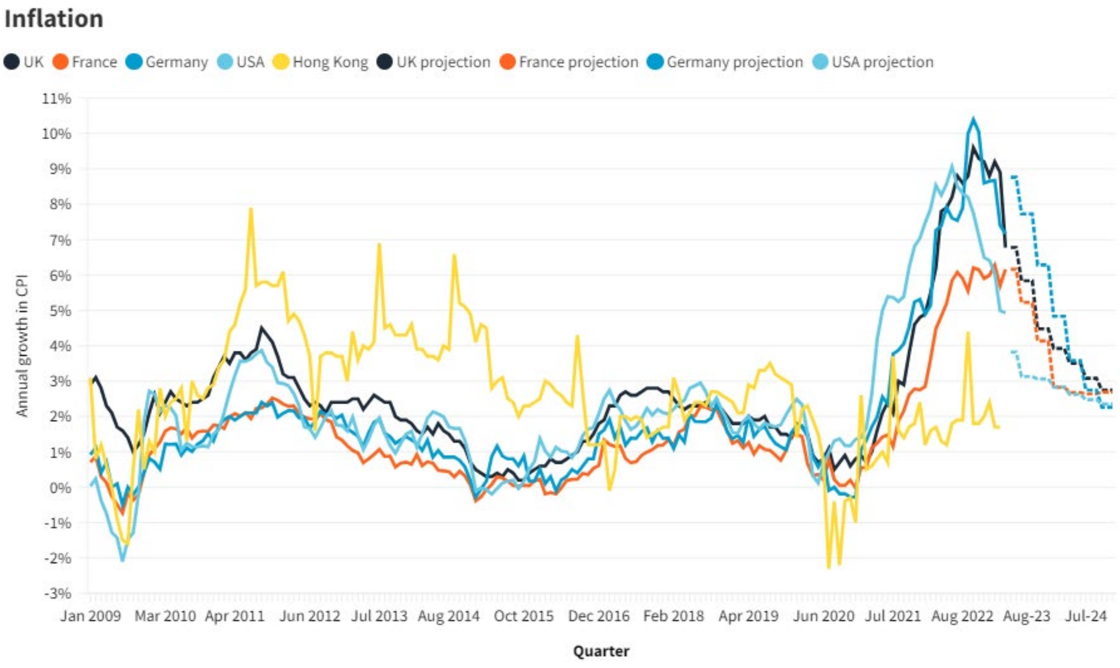
Civil Aviation Authority, Paris Aeroport, Berlin Airport • Port Authority of NY and NJ, Airport Traffic Statistics • HK International Airport
Percentage of equivalent month in 2019. London Airports are defined here as Heathrow, Gatwick, Stansted, Luton, Southend, and London City. Paris Airports are defined 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 City has seen the most robust recovery in airport passenger numbers of all our global cities, at 104% of 2019 figures in March this year. In Q1 2023, the city hit a first quarter record, with 32 million passengers passing through John F. Kennedy International Airport, Newark Liberty International Airport, and La Guardia Airport, roughly one million more than in 2019, when the previous benchmark was set.

Airport passenger numbers in Paris have remained around 90% of pre-pandemic levels since October. In March 2023, London and Paris had equal rates of recovery in airport passengers, with London reaching its highest rate post pandemic at 89%. Heathrow passenger numbers reached 95% of pre-pandemic levels in Q1 2023, prompting it to lift its 2023 forecasts. Heathrow now expects between 70 million and 78 million passengers this year, up from the 58 million to 73 million it had forecast in February.

Hong Kong has also seen substantial growth in airport passenger numbers. Although it lags behind the other cities, it has now reached its highest figure post-pandemic, at 43% of 2019 levels. The lifting of all COVID-19 restrictions, including mandatory face masks, and re-opening of borders with mainland China have contributed significantly to this growth, with the majority of visitors to the city from the Chinese mainland and southeast Asian countries. In February 2023, the region's government announced its 'Hello Hong Kong' campaign to boost tourism, which will involve giving away half a million free airline tickets to international visitors.

Inflation



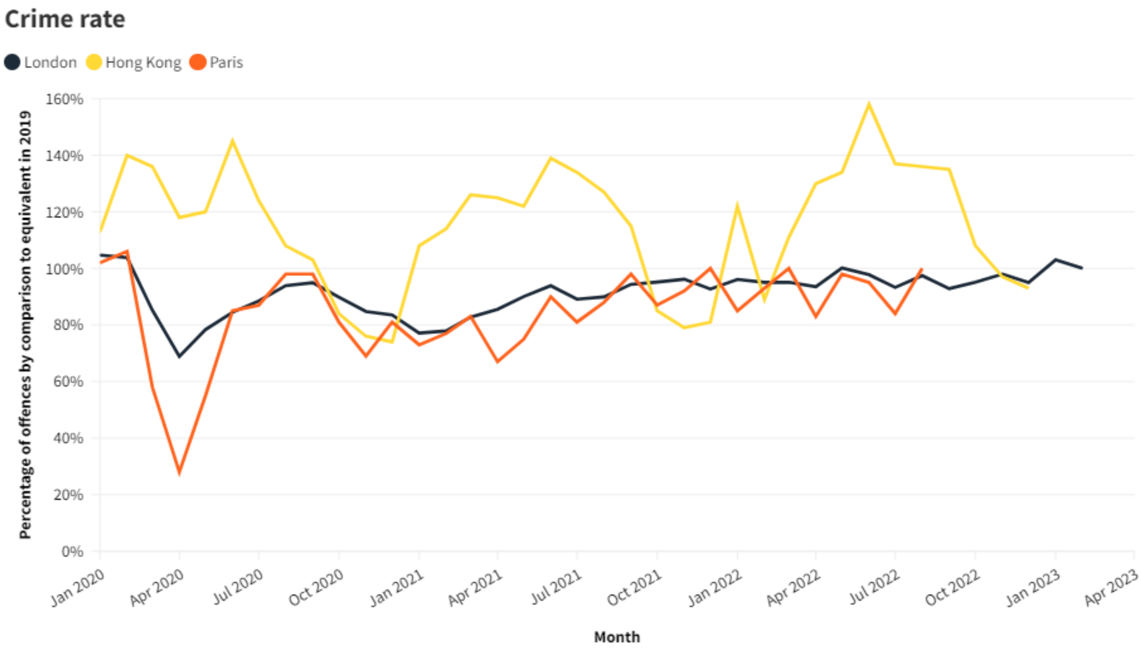
OECD, HK Census and Statistics Department, OECD • 2023 and 2024 data is projected on a quarterly basis.

At just under 9% in March, the UK has the highest inflation of any country in our analysis. The other European countries we monitor all saw an unexpected uptick in inflation in February 2023, disrupting - albeit temporarily - projected declines. In March, every country outside of Hong Kong saw a reduction in the rate of inflation, with rates falling below 5% in the USA. Provisional data also shows that inflation continued to fall in April 2023 in Germany and the US.

Along with energy prices, food price inflation is contributing substantially to overall price increases. In the UK, food price inflation in March 2023 hit 19.2%, its highest rate in 45 years – lower than Germany (21.2%) but higher than France (16.9%), and the US (8.3%). Bank of England Governor Andrew Bailey acknowledged in May of this year that the UK is facing a wage-price spiral, with labour shortages partly to blame.

Inflation has fallen significantly faster in some countries than predicted by the OECD. Analysts at the organisation had forecast that German inflation would still be at nearly 9% in April of this year – it is, in practice, just over 7%. It also overpredicted inflation in France which fell to 6.0% in May.

Crime

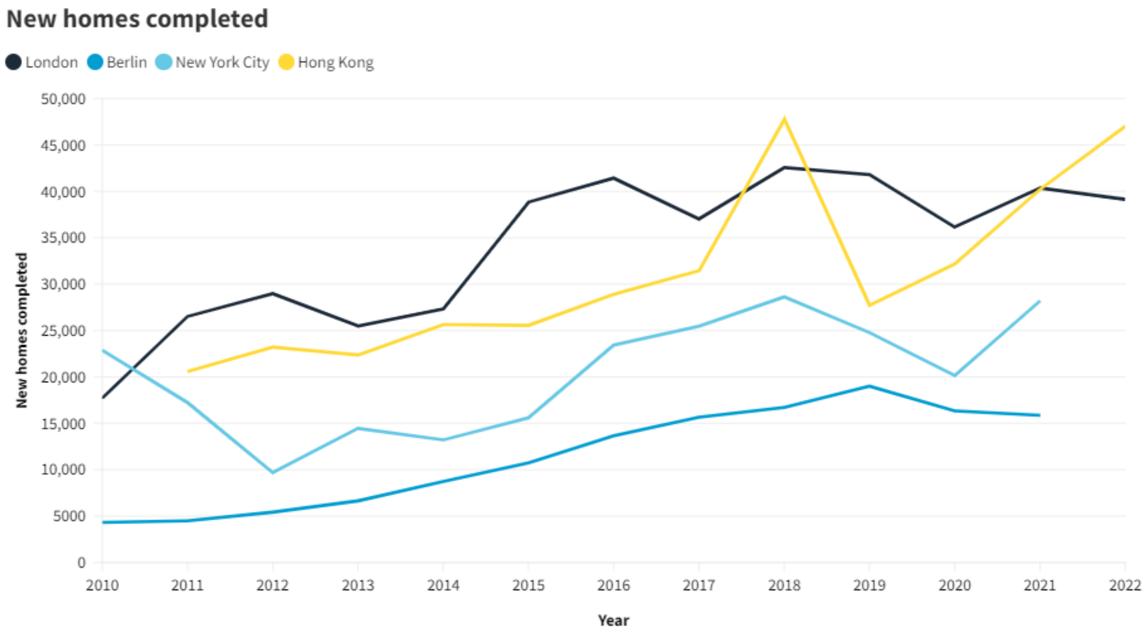


Source: Metropolitan Police, Ministere de l'Interieur, Hong Kong Police Force • Hong Kong data is limited in availability, Berlin only publishes annual data, showing a minor decrease to 98% of 2019 crime rates in 2020, NYC data is inconsistent between months.

In January 2023, crime rates in London surpassed pre-pandemic levels for the first time since 2020, reaching 103% of the 2019 numbers for the same month. In contrast, the latest available data for Hong Kong reveals that rates have fallen under the pre-pandemic baseline, to 93% of 2019 levels (December 2022 data). Revised figures since our last release of this report reveal that crime rates in Hong Kong were particularly high during the summer of 2022, nearly 60% higher than pre-pandemic levels.

Comparable data for crime levels in Paris has not yet been released. For technical reasons, New York data is not in a usable format.

New homes completed

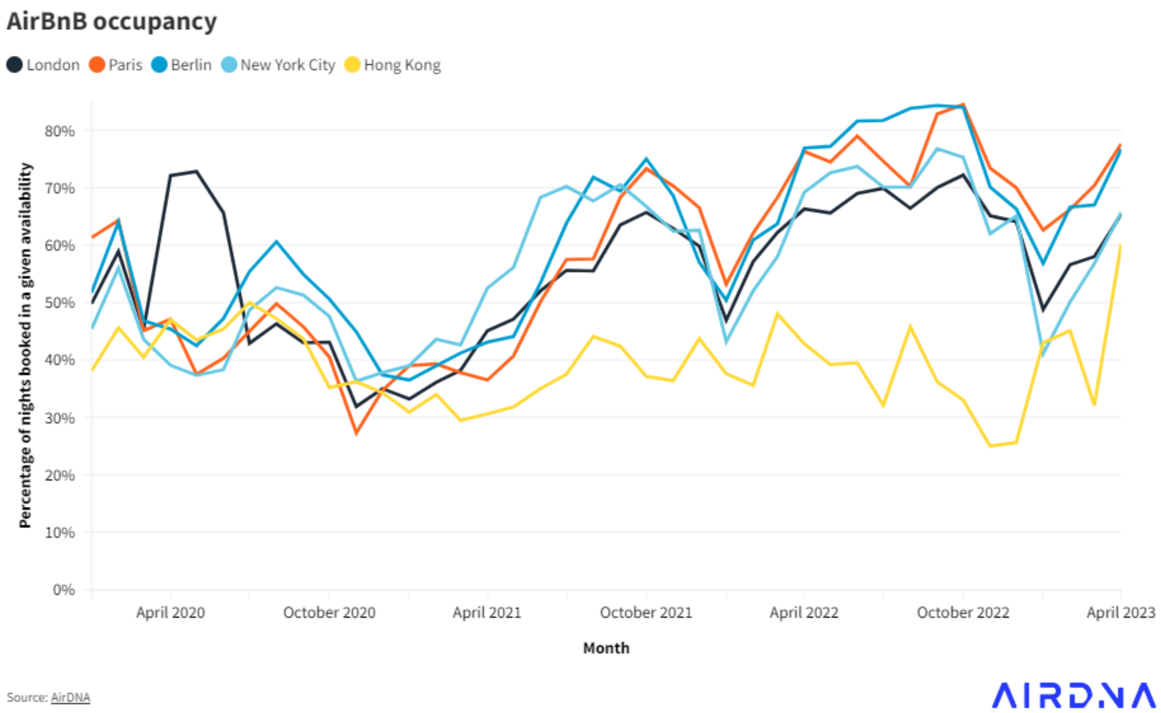


UK Government, Berlin Brandenburg, New York City Department of City Planning • Transport and Housing Bureau, Government of Hong Kong SAR • Hong Kong Housing Authority
London data calculated from domestic Energy Performance Certificates issued for new dwellings (including new builds, conversions, and 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.

London built just under 40,000 new homes in 2022, as measured by new EPC certificates issued. This was slightly below Hong Kong, which produced over 47,000 – just under its peak year of 2018. If completions continue at the rates seen in Q1 2023, London would see a significant year-on-year decline in housebuilding, falling from over 39,000 to around 31,000 homes in 2023. However, completions are unlikely to be distributed equally throughout the year, so the completion rate in both cities may rise.

Newly released data from 2021 shows that housing output in New York jumped significantly in 2021, surpassing 28,000 homes, while Berlin saw a further decline.

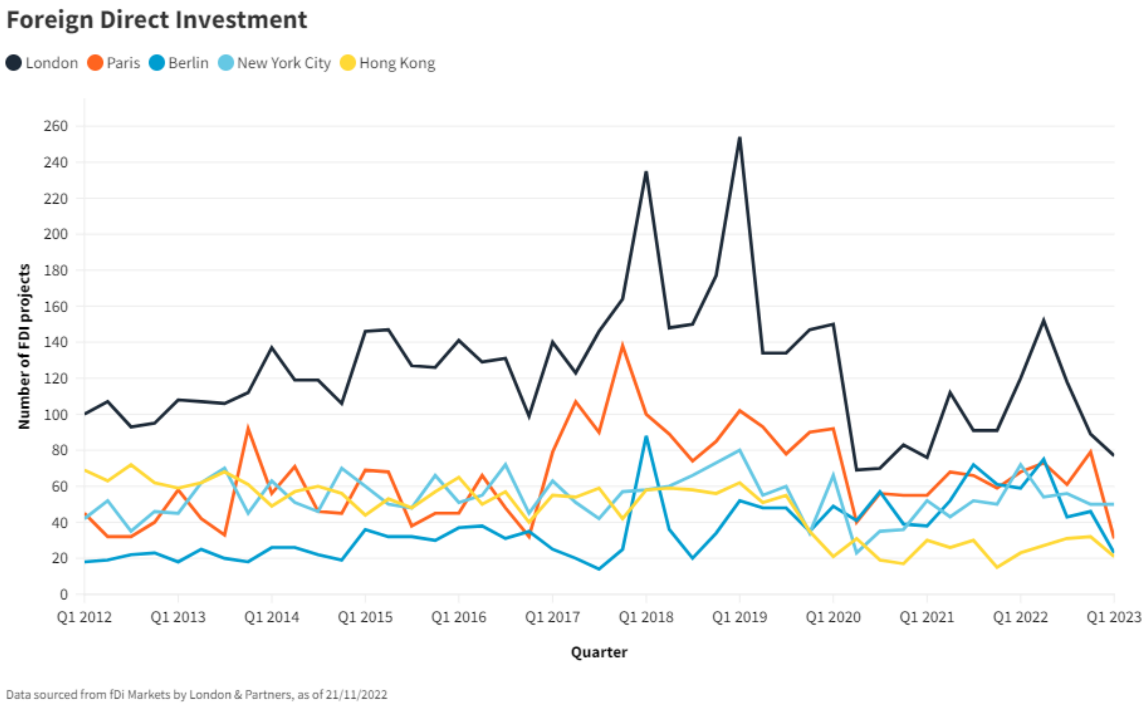
Airbnb occupancy



After a seasonal fall in January of this year, occupancy rates in London significantly picked up in the first quarter, reaching just under 65.5% in April, marginally lower than for the same month in 2022. Paris and Berlin continue to lead in Airbnb occupancy and have continued to see comparable rates across the six months to the end of Q1 2023.

Occupancy rates in Hong Kong were particularly low in November and December 2022 at 25%. Following the lifting of all COVID restrictions in late December, occupancy rates increased to 43% in January. In April, Airbnb occupancy in Hong Kong reached its highest rate post-pandemic, at 60%. However, this is likely due to a drop in availability, with AirDNA analysis revealing that tourist demand was similar the month before. Major events planned across 2023 are likely to attract even more visitors to the city this year.

FDI

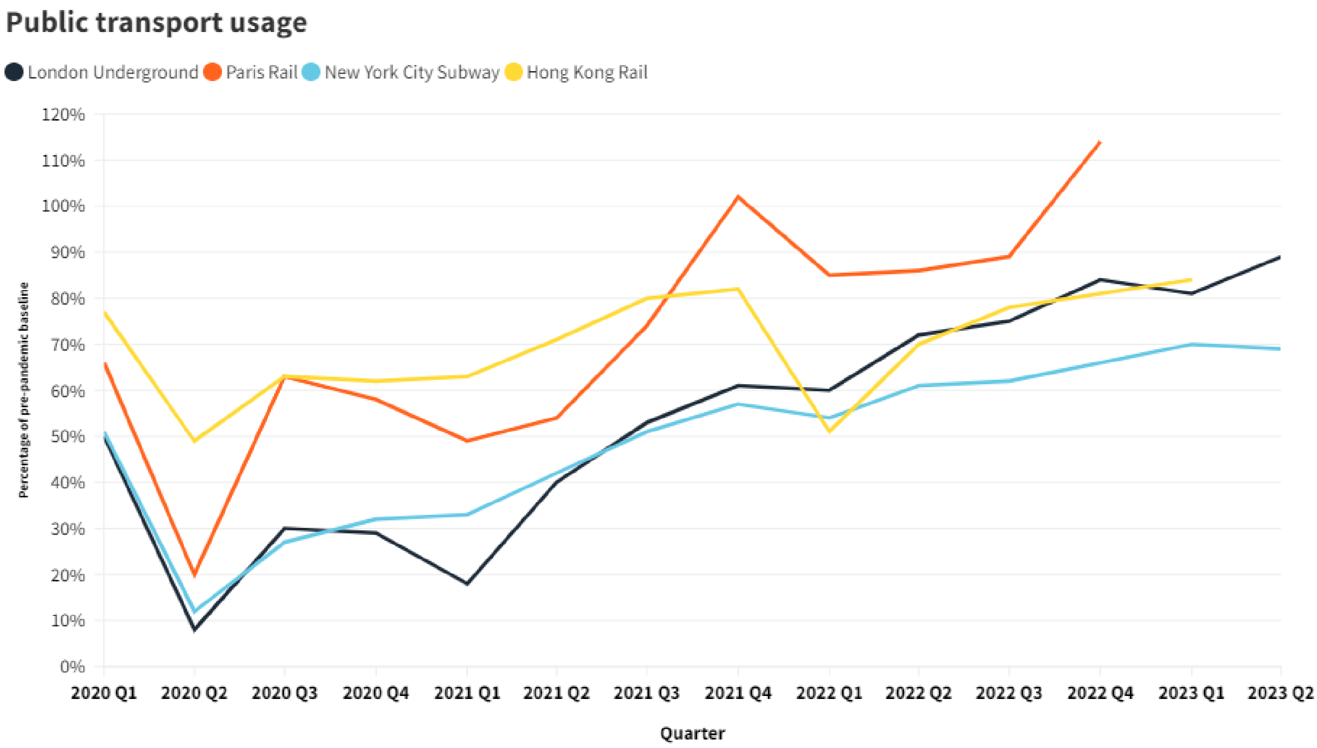


All of our cities have seen notable falls in the number of investment projects at the start of this year, reflecting the impacts of high inflation and perhaps the ongoing effects of Russia's invasion of Ukraine. London retained its leading position. However it has seen a significant decrease since mid-2022 – falling from over 150 projects to just 77 in Q1 2023.

Over the past decade it appears there's been a shift as to where UK FDI is directed, with London and the South East receiving less and the North of England and Scotland receiving more. The UK remained second in EY's annual ranking of European countries (2022) by ability to attract FDI projects. In 2022, the UK's leading sectors for FDI were digital technology, financial services, business and professional services, utility supply and agri-food (the combination of agriculture and food production industries, including manufacture and retail).

Paris experienced the most significant FDI decline in Q1 2023 (measured in transactions), falling from 79 projects in Q4 2022 to 31 in Q1 2023.

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
2023 Q2 data, where provided, only includes data up until mid-May.

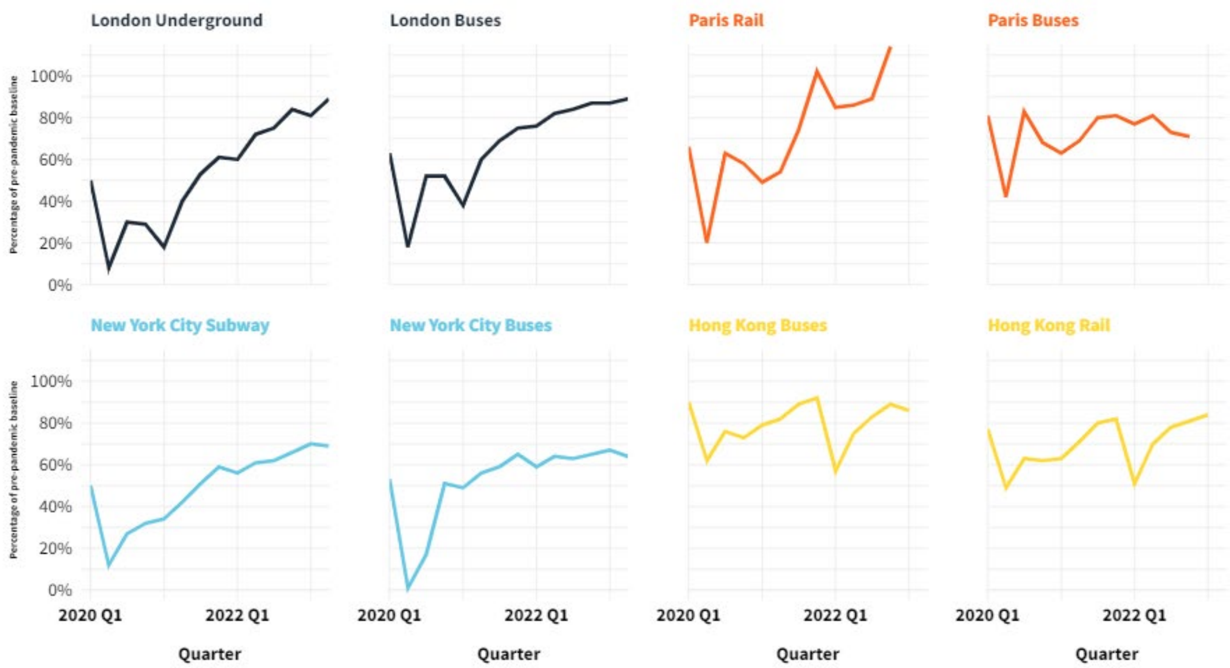
Data for Q2 2023 is available only for London and New York with London Underground now at 89% of pre Covid levels, compared to just 69% for the New York subway. Data released by New York State Comptroller in January 2023 revealed that only 31 of the city's 425 subway stations have seen equal or increased ridership since 2019.

Growth in use of the Tube has continued consistently throughout 2021 and 2022. If trends since Q2 2020 continue, we would expect demand to reach pre-pandemic levels during Q3 of this year. Transport for London has urged commuters to travel on Mondays and Friday after its analysis of travel trends revealed a significant mid-week peak in ridership. Data from October 2022 revealed that there were 28% fewer customers during the Friday morning peak compared to the same period on Tuesdays, Wednesdays and Thursdays.

Paris' metro and RER A/B systems hit an impressive 114% of 2019 passenger numbers in Q4 2022, but more recent data have not yet been released. Data for Berlin are not available.

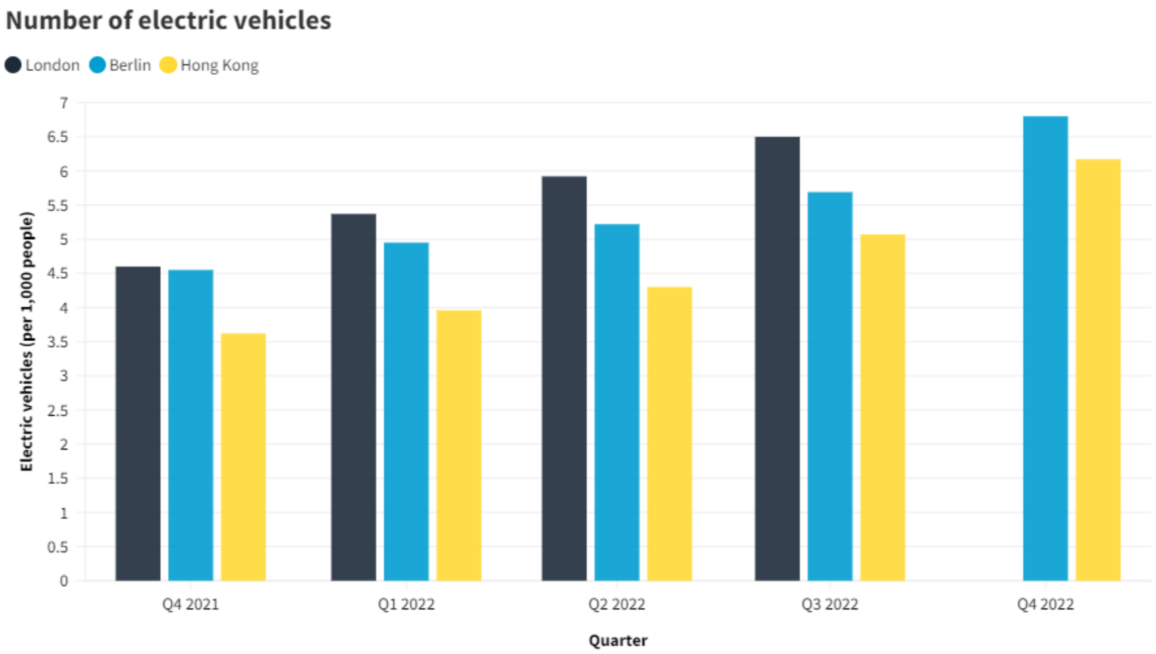
Data for metro and bus demand can be viewed here:

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
2023 Q2 data, where provided, only includes data up until mid-May.

EV ownership + charging points

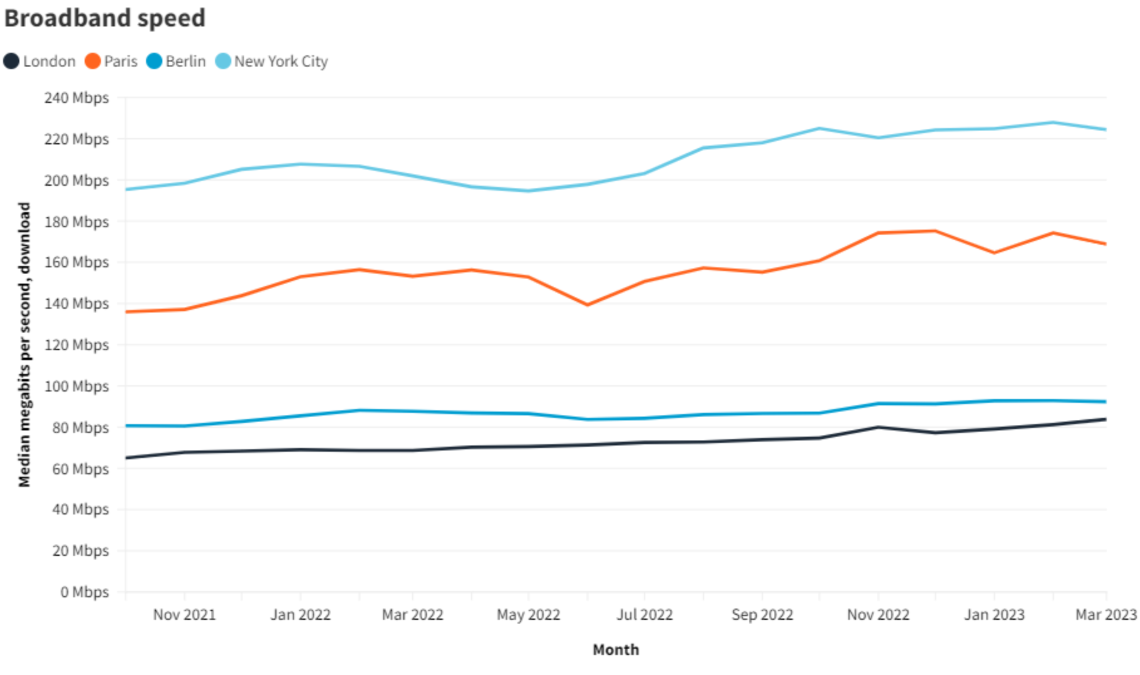


Source: DfT and DVLA, Vehicle licensing statistics data tables, KBA Vehicle Stock, HK TD, Monthly Traffic and Transport Digest
Population data: Office for National Statistics, Population and household estimates, England and Wales: census 2021; Eurostat, Population on 1 January by age group; , sex and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

Electric car ownership has been steadily increasing across our cities. London continues to be leading in EV ownership, with 6.5 licensed EVs per 1000 population in Q3 2022 – 57,196 vehicles. The city also leads in electric charging provision, with nearly 13,500 charging devices in the capital (1.53 for every 1000 residents) - almost a third of the UK total. The Mayor of London recently announced a major £35.7 million investment increase from the Government's Local Electric Vehicle Infrastructure fund, which will help drive the capital towards its goal of having between 40,000 and 60,000 electric vehicle charge points by 2030.

Quarterly growth in electric vehicle ownership has increased more rapidly in Hong Kong than other cities surveyed. In 2022, more than half of newly registered private cars in Hong Kong were electric vehicles.

Broadband speed

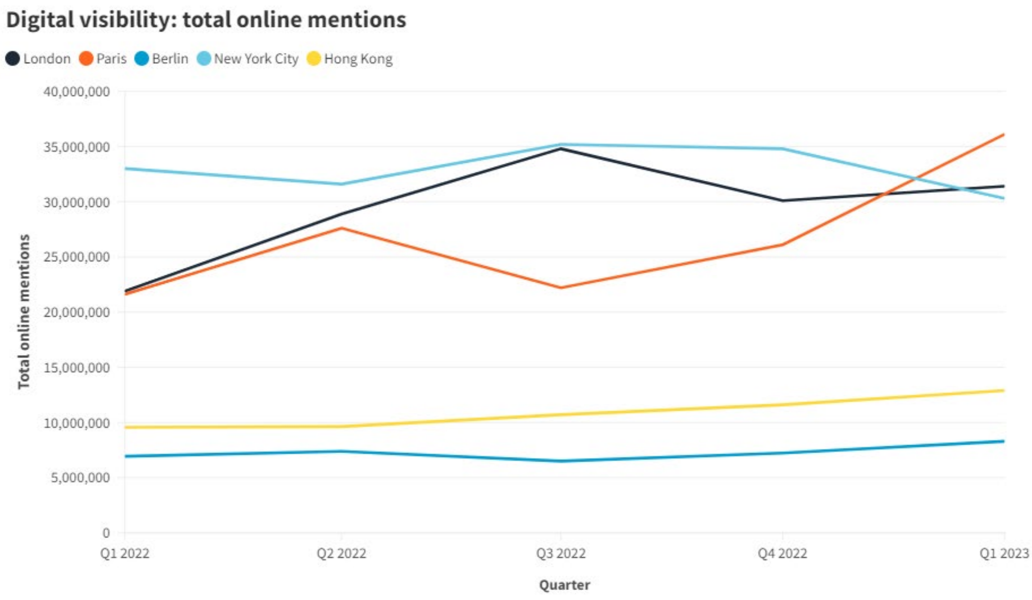


Source: Speedtest Global Index

Although the months since our last edition have seen London's average fixed broadband speeds increase, climbing from 77 Mbps to nearly 84 Mbps from December to March 2023. Half of London homes now have access to full fibre broadband, up from 4% in 2017, but the higher price associated with fibre access means the actual proportion of homes purchasing a fibre connection is lower. As a result, London remains the city with the slowest broadband of any in our sample.

New York City, broadband plateaued at 224 Mbs in March, but remains ahead of other cities surveyed. While New York has higher average connection speed, survey evidence suggests that a greater proportion of New Yorkers than Londoners lack an internet connection.

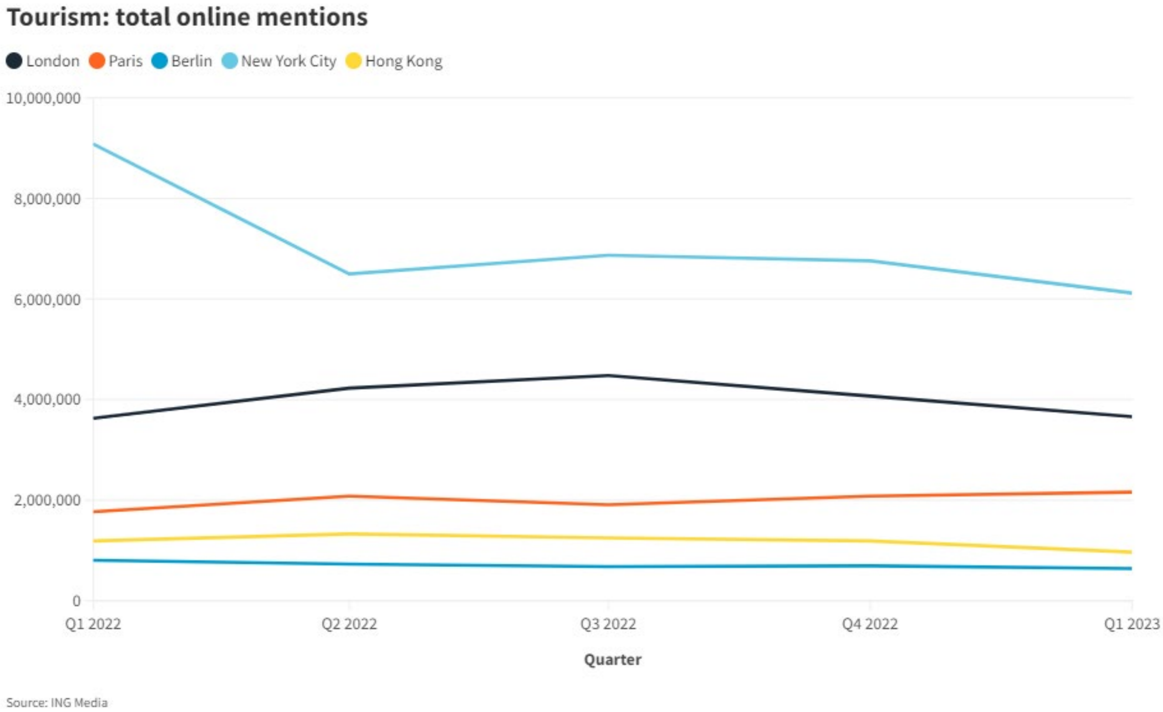
ING visibility



Source: ING Media

ING Media's digital visibility data measures the number of mentions a city gains across social media, news, and other online sources. Analysis of digital visibility provides insight into the impact of digital messaging on cities as "brands". A city's online presence and visibility might arguably help to attract commercial activity as well as enhance its soft power profile and shape its reputation.

Comparing Q1 2022 and Q1 2023, New York was the only city that recorded a fall in online mentions (-8.7%). With the return of events, including shows, concerts, and festivals, London (43.4%), Paris (67.1%), Berlin (19.5%) and Hong Kong (34.9%) all increased their share of mentions across the year. New York City's highest quarter for output last year was Q4 2022 - buoyed by mentions around the city during the Christmas period. Paris has made significant gains in terms of digital output, leapfrogging New York City and London in Q1 2023. Some of this may well be related to the forthcoming Olympics. Despite Paris' rise, the two leading tourist cities (within in the second digital visibility series provided) are New York and London. The rest of the data on tourism shows relative stability across the other cities surveyed.


Tourism: total online mentions
London
Paris
Berlin
New York City
Hong Kong
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
Q1 2022
Q2 2022
Q3 2022
Q4 2022
Q1 2023
Quarter
Source: ING Media

London Property Alliance

WPA | CPA

Westminster Property Association | City Property Association

www.londonpropertyalliance.com