

The Attractiveness of Global Business Districts report

The Challenge to Remain Competitive
May 2020



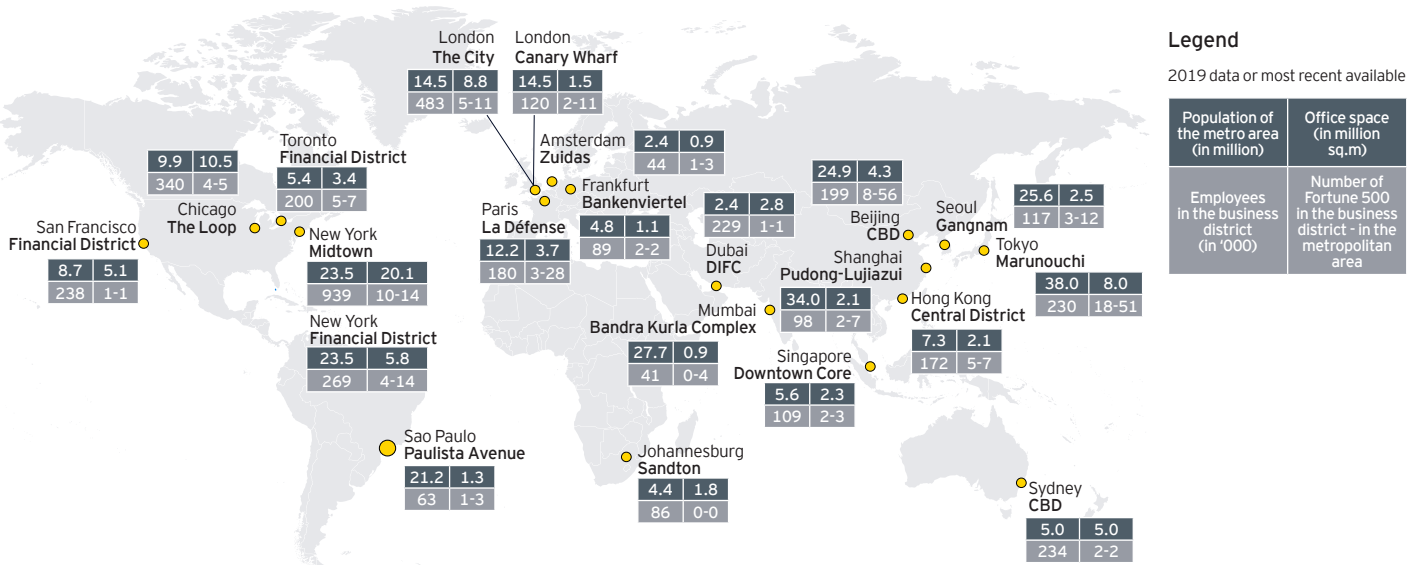
Building a better working world



A report on the world's leading business districts, their performance, and transformation

EY and Urban Land Institute (ULI) Attractiveness of Global Business Districts (GBD) report is the only international study that assesses and compares the world's leading business districts. It covers 21 business districts selected by EY and ULI teams, while ensuring each global economic region is represented.

The 21 global business districts of the EY-ULI 2020 monitor



The business districts have been selected, compared, and ranked on 46 indicators taken at the level of the district, metropolitan area, or country.

Overall ranking 2020

Ranking	Business district
1	London, The City
2	New York, Midtown
3	Tokyo, Marunouchi
4	Paris, La Défense
5	London, Canary Wharf
6	New York, Financial District
7	Beijing, CBD

Five observations based on Covid-19 and long term mega-trends :

- 1 The concentration of talent, unparalleled business efficiency, and instant connectivity are fundamental strengths of GBDs
- 2 Prioritizing the environment is an obligation to attract talent and tenants
- 3 Changing working patterns and focus on wellbeing might put pressure on the economic outlook of GBDs
- 4 Global risks facing cities and GBDs call for collective resilience strategies and collaboration between stakeholders
- 5 In the long term, GBDs must become inclusive urban destinations, beyond concentrations of office space



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Foreword

In 2017, EY and ULI set a benchmark, analyzing the performance and the main trends that impact global business districts (GBDs). This 2020 edition provides updates and details the changes business districts have made to remain competitive and become more attractive to clients, talent and businesses.

This edition comes amidst the COVID-19 global pandemic which has, in just a few weeks, changed the health and economic outlook of millions of people, directly or indirectly. It has also disrupted how we live, interact and work.

Before various governments-imposed lockdowns and social distancing measures, the 21 GBDs covered by this report were the main workplace for 4.5 million people. Tens of millions more made them a destination to visit clients, shop or dine, go to the movies or watch their favorite team play, or simply walk the streets among towering, awe-inspiring, and iconic buildings.

In total, they cover nearly 100 million square meters of office space. They host 79 global headquarters of Fortune Global 500 companies, as well as most of their professional services providers, such as consulting and audit firms, insurers and bankers, advertising agencies and media companies. Though they employ, on average, 4.5% of the active population of their metropolitan areas, they are some of the biggest players in global business.

As of April 15, 14 of the 21 GBDs assessed were in cities where full lockdowns have been enforced¹, such as London, New York, and Paris. This has resulted - in these 67% of GBDs that are home to more than 3.5 million workers - in half-empty buildings, as employees are quarantined at home for public health and safety reasons. Business are having to adapt to the new conditions and provide continuity for employees and clients. Employees are facing the need to reorganize their family and professional life to continue to work and live under these conditions. Furthermore, in the seven remaining GBDs, which employ about 21% of the 4.5 million people, restrictions are often enforced, disrupting free movement and working life.

Global business districts were increasingly competing to attract talent, new business, and capital before the COVID-19 crisis started. This competition will likely continue, although the rules may change.

So far, nobody knows when the GBD workforce will be able to return to their offices. Timing and conditions of a gradual return to 'normal' are still unknown. What is more certain is that social and professional distancing measures will carry on for months and new sanitary precautions will continue for years.

Post the COVID-19 crisis, GBDs will need to adapt to the "new normal". Health and wellbeing will be paramount in offices and public spaces. This trend is already visible, but will impact real estate, owners and operators more significantly. The pressure to reduce costs in the recovery phase, the rapid adoption of technology, and working from home will also change the role and supply of real estate for companies.

While still too early to draw conclusions on potential long-term impact of the crisis, it is becoming clear that cities and districts more specifically will be impacted in various ways, for example related to health, quality of life and safety. In areas characterized by high population density and high degrees of social interaction, the impact is likely to be more and long-lasting. The crisis has also made it clear that social interaction is a necessity for human beings and that they need to cultivate it more.

Therefore, we are confident that the core of a GBD's attractiveness formula will remain the same. International businesses which represent the vast majority of GBDs will need to resume staff meetings, conduct strategic projects, host clients and business partners.

In this report, we first present the current competition scenario among the 21 GBDs, how the landscape has changed between 2017 and 2020, and what the starting point is for the global competition going forward.

The report will then focus on five observations, based on a detailed analysis of interviews and an extensive survey, long-term GBD trends we have seen since the 2017 report and lessons learned from the first four months of 2020.

The third layer of the report provides a detailed trend analysis, this shows how each business district analyzed performs across five major attractiveness factors.

¹ Cities enforcing full lockdowns as of 15 April 2020: Chicago, Dubai, Johannesburg, London, Mumbai, New York, Paris, San Francisco, São Paulo, Singapore, Sydney, and Toronto.

The starting point: The Attractiveness of Global Business Districts 2020 report confirms the leadership of Western global cities and the increasing competitiveness of Asian business districts

The business districts of London, New York, Tokyo and Paris remain at the top

- ▶ Despite political concerns, the City of London remains at the top of the ranking (58.9 on the EY-ULI 2020 Index vs 61.5 in 2017). It leverages its high concentration of service, financial, and university activities. Canary Wharf, in fifth position, also benefits from its improving urban environment: it has more residents (16,000 people live in the business district) and it has added new leisure facilities since 2017.
- ▶ New York Midtown (57.5) and Tokyo Marunouchi (54.7) remain in second and third places respectively. Their strong performance confirms their attractiveness: a high concentration of Fortune Global 500 companies' headquarters (10 in Midtown and 18 in Marunouchi) as well as a pool of very highly-skilled talent: 59% of the population has a higher education qualification in Tokyo and 48% in New York.
- ▶ Paris La Défense remains at the fourth position thanks to a high concentration of international headquarters (Fortune 500, SBF 120, and large consulting firms). The high amount companies invest in R&D (3.6% of the city's GDP) allows the French business district to rank first in Europe for business environment, ahead of the City of London.
- ▶ The competition between business districts is intensifying. The range of the EY-ULI Index scores has narrowed from 55.5 in 2017 to 49.5 in 2020. This is especially true in the top five, where business districts are closer to each other, with the City of London and Midtown's scores decreasing while scores of Marunouchi, Paris La Défense, and Canary Wharf are up. Amidst

the backdrop of uncertainty surrounding Brexit, the City's EY-ULI Index stood at 58.9, compared with 61.5 in the first edition of the survey. Consequently, the City of London's competitors have gained ground. It is too early to tell how the first tier will be affected by the COVID-19 pandemic, but it is obvious that, for each of them, there will be different evolutions depending on the duration of lockdowns and the general economic situation of countries and cities where they are located.

Overall attractiveness ranking 2020

Ranking	Business district	EY-ULI Index
1	London, The City	58.9
2	New York, Midtown	57.5
3	Tokyo, Marunouchi	54.7
4	Paris, La Défense	52.0
5	London, Canary Wharf	51.5
6	New York, Financial District	48.5
7	Beijing, CBD	45.8
8	Seoul, Gangnam	45.6
9	Singapore, Downtown Core	45.6
10	Chicago, The Loop	45.6
11	Toronto, Financial District	43.2
12	San Francisco, Financial District	42.6
13	Hong Kong, Central District	40.4
14	Sydney, CBD	40.1
15	Amsterdam, Zuidas	38.1
16	Frankfurt, Bankenviertel	35.8
17	Dubai, DIFC	35.5
18	Shanghai, Pudong-Lujiazui	35.0
19	Sao Paulo, Paulista Avenue	14.8
20	Johannesburg, Sandton	13.3
21	Mumbai, Bandra Kurla Complex	9.4

Asian business districts gain momentum and are ready to compete globally

- ▶ The major business districts reviewed in Asia's metropolises have benefited from an improvement in their ability to attract and retain talent. The share of higher education graduates has now reached 37% in Beijing (plus 18 points compared with 2017), 33% in Hong Kong (plus three points), 30% in Shanghai (plus 11 points), and 26% in Mumbai (plus seven points).
- ▶ Beijing's Central Business District also shows a great progression of its real estate performance. Its score has increased by almost five points between the two reports, due to the indisputable effect of its growing stock of office space (4.3 million sqm), which now hosts eight Fortune Global 500 headquarters and offers 850,000 square meters of retail space.
- ▶ In all Asian business districts, transportation networks are also improving: Shanghai is ranked first in IESE's Cities in Motion Index (measuring average time to go to work, bike shares, length of the metro network, number of stations, high-speed train network, etc.) just ahead of Beijing.

Evolution of the EY-ULI Index 2017-2020

Beijing, CBD	+4.7
Hong Kong, Central District	+3.7
Mumbai, Bandra Kurla Complex	+3.4
Shanghai, Pudong-Lujiazui	+2.7
Tokyo, Marunouchi	+2.7
London, Canary Wharf	+1.9
Amsterdam, Zuidas	+1.5
Dubai, DIFC	+1.5
Paris, La Défense	+1.5
New York, Financial District	+0.4
Singapore, Downtown Core	-0.1
Chicago, The Loop	-0.8
New York, Midtown	-1.2
Frankfurt, Bankenviertel	-1.5
London, The City	-2.5
Johannesburg, Sandton	-3.6
Sao Paulo, Paulista Avenue	-5.4

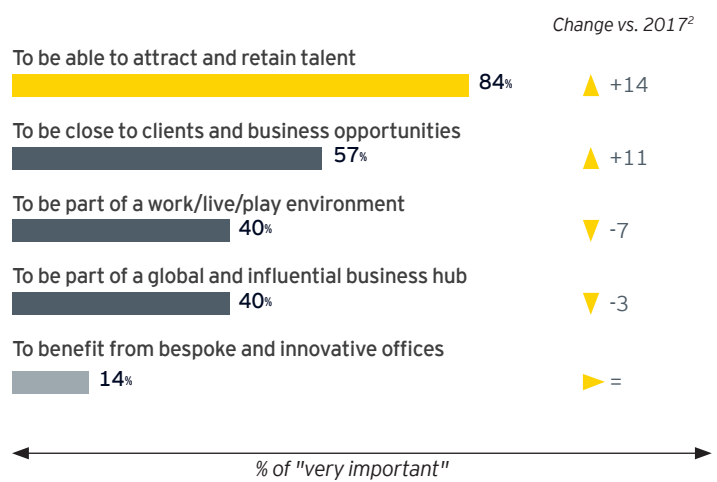
¹ IESE (Instituto de estudios superiores de la empresa) Business School

Five observations based on long-term megatrends transforming GBDs

1. The concentration of talent, unparalleled business efficiency, and instant connectivity are fundamental strengths of GBDs

- ▶ **Access to skills is considered of paramount importance:** 84% of executives surveyed believe the ability to attract and retain talent is a very important factor for companies when deciding where to locate their offices. This compares to 70% in 2017.
- ▶ This is closely connected to the importance of a **work/live/play** environment as a key element to attract talent, with 40% of respondents considering this 'very important'.
- ▶ **In addition, for companies, the ability within business districts to build connections within their ecosystems** is important: 57% of the survey respondents consider the proximity of markets, customers, and partners within the business district as a very important factor (an increase of 11 percentage points compared with 2017).
- ▶ **Being in a center of local and global influence** is considered very important by 40% of respondents. Companies are looking for the ability to attract skilled talent and for the recognition among their customers and partners being in the business district affords.
- ▶ **The bespoke and innovative real estate supply** is considered as a very important criterion for 14% of the respondents. For companies, the office space is important as it helps attract talent. However, many consider that modern and flexible office space is usually already found in leading business districts.

In your opinion, what are the most important location criteria for companies when assessing the attractiveness of business districts?¹



Source: EY-ULI e-survey, 349 respondents (December 2019-January 2020)

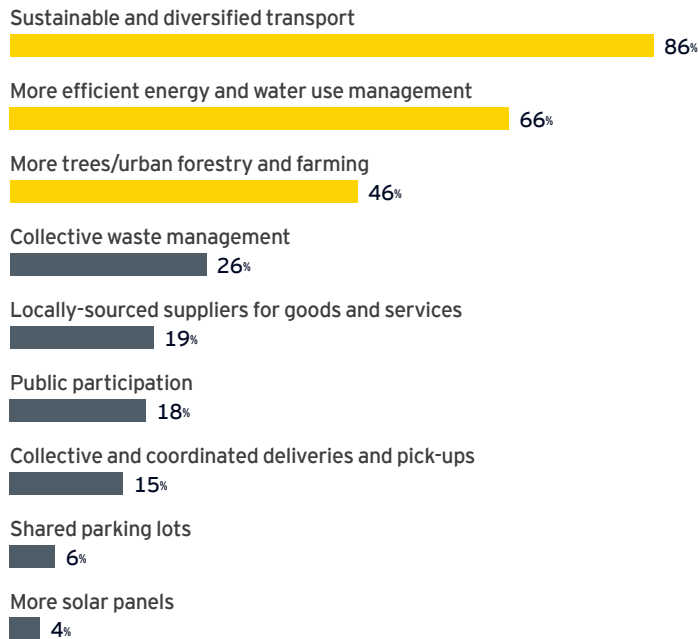
¹ The "cost-competitiveness" criterion ("very important" for 26% of the respondents) is analyzed in a separate approach, due to the respondents breakdown (there are more investors and developers than users in the panel). This analysis is developed in the section dedicated to the key transformations of business districts.

² 'Change vs 2017' shows the difference between the 2020 and 2017 scores for each specific criterion.



2. Prioritizing the environment is an obligation to attract talent and tenants

What are the three priorities to make a business district sustainable?



Source: EY-ULI e-survey, 349 respondents (December 2019-January 2020)

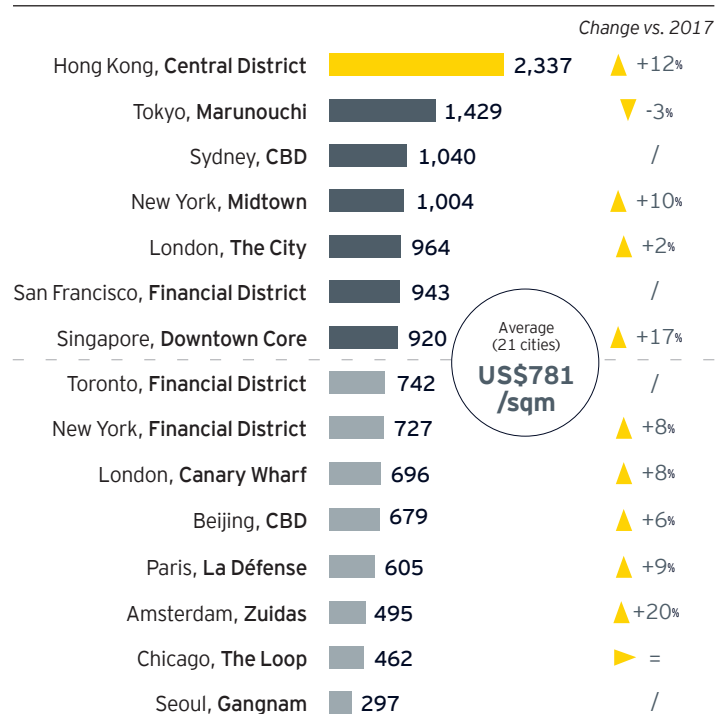
In 2020, global awareness of environmental issues has grown drastically amongst those surveyed and interviewed. The requirement to act on environmental stewardship is becoming urgent, and calls for action are growing stronger, especially among young professionals. The race for talent being pivotal, their demands are a priority for business districts to attract occupiers and consumers. For 86% of the survey respondents, this major issue begins with the presence of a multimodal and sustainable transport network which they feel is the primary driver for improved environmental performance. It is followed by efficient resource management (water, energy) at 66% and adding more vegetation to the district (46%).



3. Changing working patterns and focus on wellbeing might put pressure on the economic outlook of GBDs

- ▶ COVID-19 has already spurred rapid technology adoption, potentially changing the working world. Preliminary statistics show that remote working will rise from its pre-Covid rate of 30%. New collaboration and teamwork models could emerge.
- ▶ Businesses are also required to finance the emergency response along with the mitigation and resilience costs around planning and recovering from the outbreak. Business districts would have to cope with both a lower take-up while increasingly having to foster innovative and healthy workspaces, responding to a focus on social distancing and wellbeing in the workplace.
- ▶ Of those surveyed, 26% already believe that cost-competitiveness is a very important factor in the attractiveness of business districts, compared with 35% in 2017.
- ▶ The strong demand for high quality and sustainable office space, coupled with limited new development in many cities and increased investment in high-quality urban developments have clearly fuelled the rise in rents.
- ▶ For the time being, companies seem to absorb these higher rents if they can implement parallel cost strategies to offset them. That is to say that by modifying their real estate use around collaborative, shared, and open spaces, businesses have managed to reduce their total office space requirements. It will need to be seen what impact the crisis will have on space and cost requirements of companies, both for the short and long term.

Prime rents level in the 15 most attractive business districts in 2019 (US\$/sqm)



Source: 2019 - Cushman, JLL, CBRE, KnightFrank

4. Global risks facing cities and GBDs call for collective resilience strategies and collaboration between stakeholders

- ▶ GBD stakeholders, private and public together, will develop new resilience strategies in a collaborative way, and at a larger geographical and technological scale. In their view, it is a key condition for responding effectively to the many challenges of the coming decade, including political tensions, climatic risks or sanitary crises such as the pandemics.
- ▶ In some of the business districts featured in the rankings, developers, together with architects and engineering firms, are at the forefront of the new 'smart and safe city' efforts and the provision of a world-class technological and environmental offer. In other districts, users are regularly involved in the district's placemaking strategy and sponsor events.

- ▶ In the longer term, 'real estate health' (including building ventilation, air filtration, and cleaning) and facilities / management preparedness will all become increasingly important.

In HafenCity, Hamburg

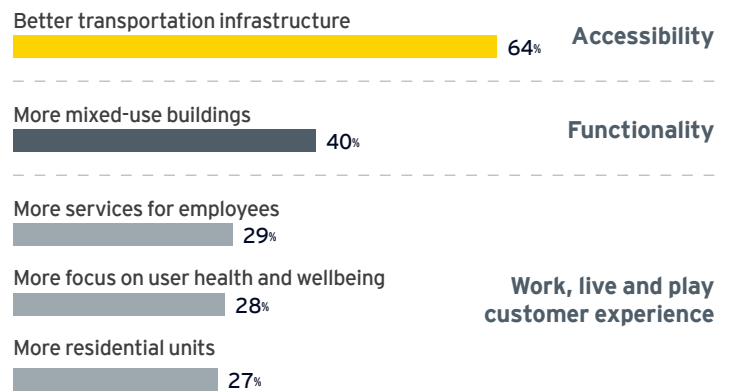
77% of a smart living and sustainable development pilot project is funded by the private sector (€10b between 2003-2025)

Source: Future Cities France, EY (2020)

5. In the long term, GBDs must become inclusive urban destinations, beyond concentrations of office space

- ▶ According to the experts interviewed, business districts are striving to reinvent the experience for their users. This trend was already presented in the conclusions of the 2017 report and has considerably further developed since then. In addition to better mobility, which is the key success factor for a business district's future according to 64% of respondents, more mixed-use spaces (40%) and services for workers (29%) are also important.
- ▶ In an environment generally characterized by significant proportions of high rise, this sparks innovative approaches to connect communities, for example vertically within buildings. As part of this, commercial building space is transformed into amenities and community spaces, not directly yielding revenue but helping to connect the building users and develop the community.
- ▶ The focus must also be on health and wellbeing (28%) and the development of housing (27%), which provides additional potential for mixed-use projects.

The 5 main trends of business districts' future



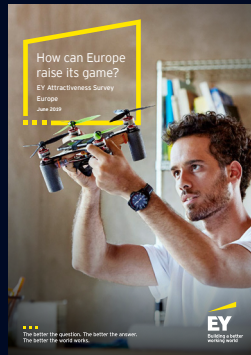
Source: EY-ULLI e-survey, 349 respondents (December 2019-January 2020)



Find out more on real estate and urbanization trends and challenges:



ASPIM, Real estate investment a force in territorial development



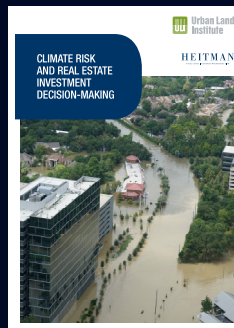
How can Europe raise its game?



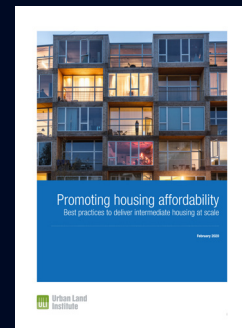
EY Mega trends



Reshaping retail



Climate risk and real estate investment decision-making



Promoting housing affordability

Methodology

The 21 business districts studied have been selected according to the following characteristics:

- ▶ The city being part of one of the world's 100 most populous cities;
- ▶ The presence of significant volumes of offices (in excess of 800,000 square meters);
- ▶ The presence of a sizeable labor pool within the metropolitan area;
- ▶ The concentration of advanced tertiary activities and head office activities that are synonymous with the presence of headquarters of leading companies;
- ▶ A concentration of dense development and high-rise buildings.

The overall ranking is established based on the relative performance of each district based on 46 indicators separated into five criteria:

- ▶ Ability to attract and retain talent;
- ▶ Proximity to markets, customers, and partners;
- ▶ Quality of the urban environment;
- ▶ Local and global influence; and
- ▶ Adapted and innovative real estate supply.

Final ranking is obtained by calculating an average score for each business district, by applying a weighting to the score obtained in each attractiveness criterion.

This weighting reflects the importance of the criterion, determined by taking the share of respondents from the online survey who consider the criterion "very important."

The study has been conducted by EY and ULI teams.

It has been commissioned by Paris La Défense in cooperation with the GBD Innovation Club.

349 real estate professionals, public officials, academics, and users surveyed worldwide

21 experts interviewed around the world (real estate experts, business district users, representatives of local governments, urban planners, and academics)

46 objective quantitative indicators relying on more than 200 sources

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About ULI

The Urban Land Institute is a global, member-driven organisation comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 81 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise and best practices on a variety of factors affecting the built environment, including urbanisation, demographic and population changes, new economic drivers, technology advancements, and environmental concerns. Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. In 2019 alone, more than 2,400 events were held in about 330 cities around the world.

For complementary information, check out our website:

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