

The Attractiveness of Global Business Districts report

The Challenge to Remain
Competitive

May 2020





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For complementary information check out our website:
[https://www.ey.com/en_gl/real-estate-hospitality-construction/
is-this-the-end-of-the-central-business-district](https://www.ey.com/en_gl/real-estate-hospitality-construction/is-this-the-end-of-the-central-business-district)

Foreword



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EY and the Urban Land Institute (ULI) partnered to create the attractiveness of Global Business Districts (GBD) Report, that assesses and compares the world's leading business districts. This report looks at the world's largest geographical concentrations of businesses, skills, economic power and capital. It uses hundreds of objective data points to compare real estate and infrastructure supply, labor pools, education systems, urban environments, shopping centers, sports amenities and cultural facilities.

After releasing a very successful first edition in 2017, Paris La Défense, in cooperation with the Global Business Districts Innovation Club, has again commissioned EY and ULI to independently assess the attractiveness of global business districts in 2020. This report sheds light on what attracts businesses and talent and how cities and business districts can improve to remain attractive.

This ambitious report would not have been possible without the contributions of hundreds of experts and professionals. Real estate investors, users, developers, public officials, academics and experts of business districts such as urbanists and architects have provided us valuable insights and helped to understand the economic and urban transformations underway. The 2020 report surveyed 349 professionals worldwide. In addition, 22 global industry leaders were interviewed to obtain their inputs and perspectives.

This is a timely report given the current crisis caused by COVID-19¹, as we assess the impact the crisis might have on how we live and work in our cities and districts and how we adapt to make these environments more resilient. While this report does not specifically detail the measures that cities

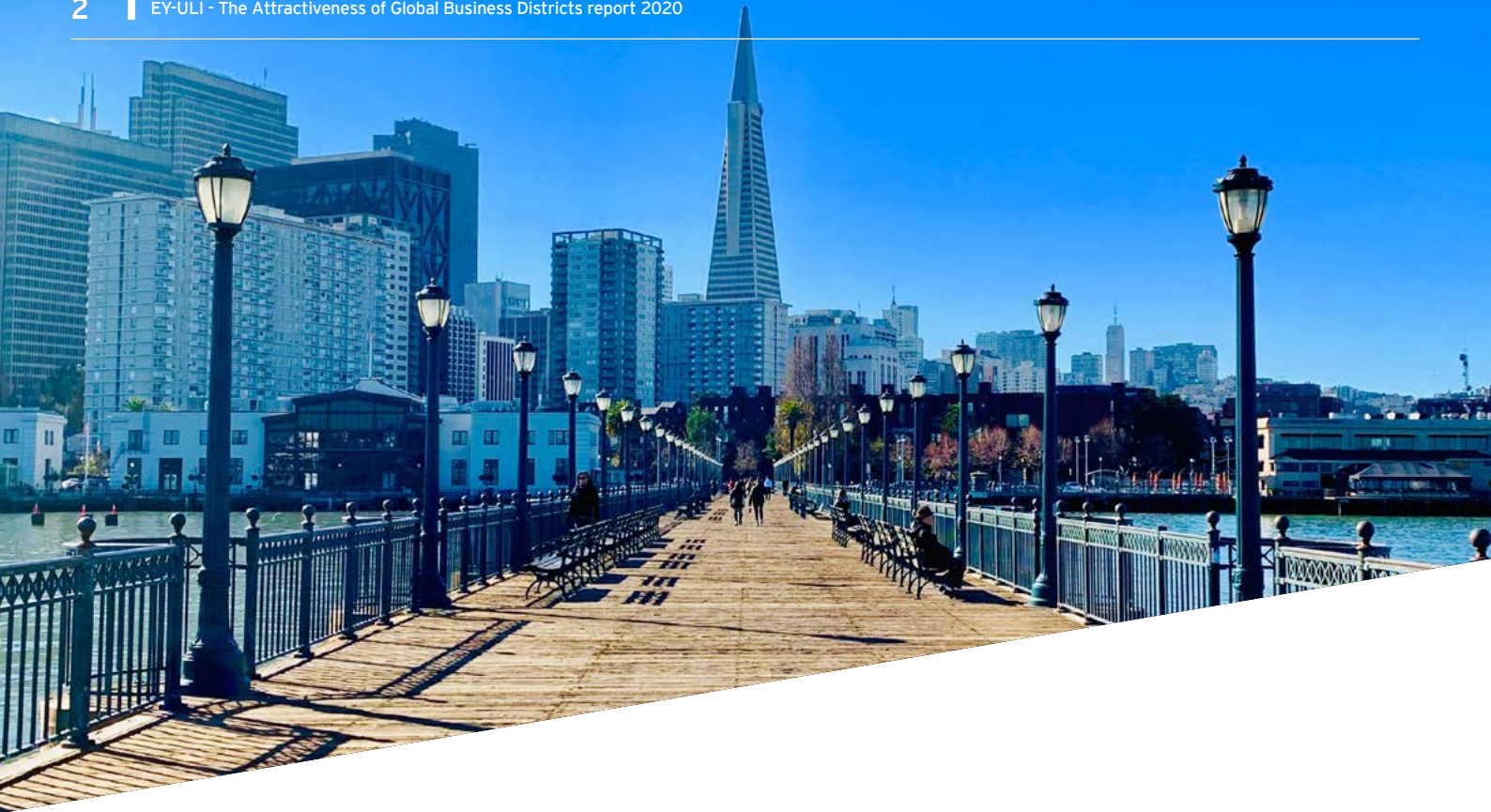
and business districts have taken or could be taking, it does provide a platform to assess the response of cities in time. Resilience and adaptation are key drivers for the success of business districts. The current pandemic and associated responses such as lockdowns, social distancing and remote working are key elements for cities to respond to and to maintain their positions as leading business districts.

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 of and demand for real estate for companies.

While it is too early to draw conclusions on the 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 around health, quality of life and safety. In areas characterized by higher population density and high degrees of social interaction, the impact is likely to be higher and longer lasting. At the same time, 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.

1. This introduction was written on 1 May 2020.



Introduction

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 GBDs have made to remain competitive and become more attractive to clients, talent and businesses.

The 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.

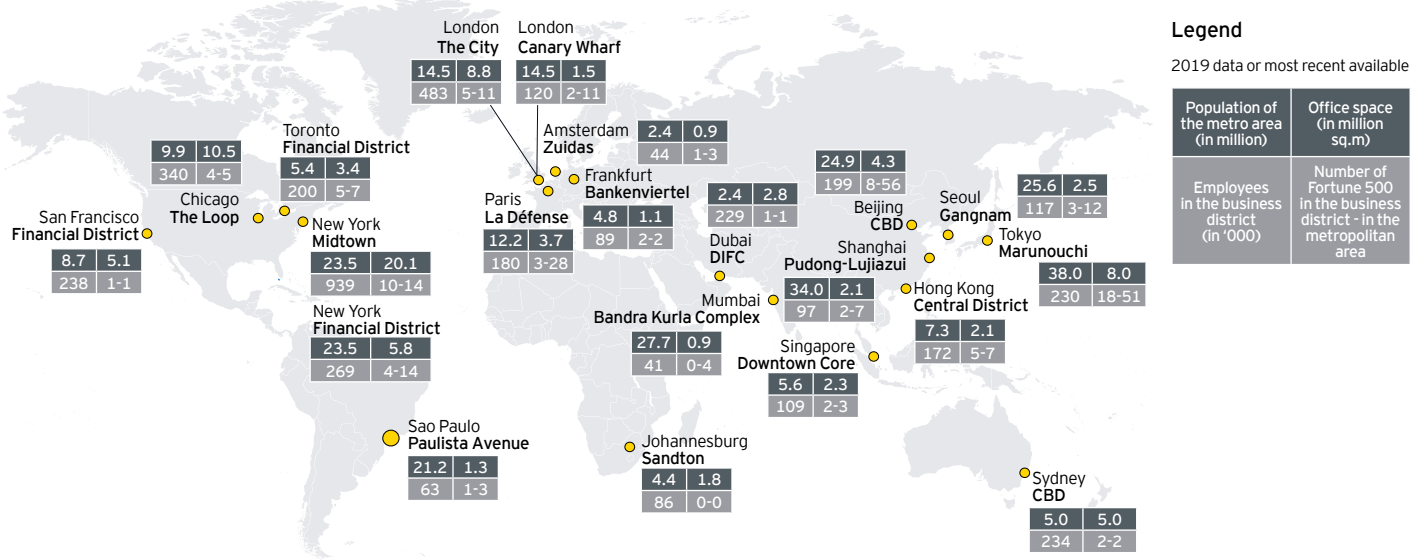
Before various government-imposed lockdowns and social distancing measures, the 21 GBDs covered in this report were the main workplaces for 4.5 million people. Tens of millions more have made them a destination to visit clients, shop or dine, go to the movies or watch their favorite team play, or simply walk the streets amid the 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 in their metropolitan areas, they are some of the biggest players in global business.

As of 15 April, 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 almost-empty buildings as employees are quarantined at home for public health and safety reasons. Businesses are striving 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 remaining seven GBDs, which employ about 21% of the 4.5 million people, restrictions are often enforced, disrupting free movement and working life.

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 21 global business districts of the EY-ULI 2020 report



2019 data or most recent available

Population of the metro area (in million)	Office space (in million sq.m)
Employees in the business district (in '000)	Number of Fortune 500 in the business district - in the metropolitan area

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

So far, nobody knows when the GBD workforce will be able to return to their offices. The timing and conditions for 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.

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 seen since the 2017 report and lessons learned from the first four months of 2020:

1. The concentration of talent, unparalleled business efficiency and instant connectivity are the fundamental strengths of GBDs.
2. Prioritizing the environment is an obligation to attract talent and tenants.
3. The economic outlook and enduring remote working patterns might put pressure on 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.

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

The report is based on complementary research approaches, both quantitative and qualitative, to investigate the attractiveness of business districts:

- ▶ Quantitative: a total of 46 objective and quantitative indicators corresponding with 966 data points were used. The data concerns both the business districts and the overall metropolitan environment in which the business districts are located as well as some national-scale indicators.
- ▶ Qualitative: a global survey of 349 real estate professionals, end users, local government representatives, urban planners, and academics was conducted among ULI members. In addition, 22 individual interviews with experts from business districts around the world were conducted with the support of ULI and the GBD Innovation Club, which helped in the interpretation and analysis of the results. These experts, including property specialists, business district occupiers, planners, local politicians and academics, provided rich insights and additional perspectives. A list of these interviewees is given in the appendix of this report.



The starting point

The Attractiveness of Global Business Districts 2020 report confirms the leadership of Western city business districts while competition from Asian business districts is intensifying

Among the GBDs analyzed, many have been in full lockdown and almost empty for weeks because of the COVID-19 crisis. Others have been disrupted by strict restrictions on social interactions and mobility. For now, it is too early to assess how the crisis will affect the attractiveness of GBDs.

However, we think the following ranking¹ provides an accurate picture of the current field of play. We consider it to be a solid starting point to monitor GBDs' attractiveness and the impact of long-term megatrends. This includes megatrends that were born before the COVID-19 crisis and some that might emerge more strongly in its aftermath.

Unsurprisingly, the business districts in the leading global cities dominate the ranking compiled by EY and ULI; as an expert interviewed stated, "Only certain cities truly compete on a global scale for global financial centers and headquarters." However, the ranking offers some notable developments and surprises.

1. Ranking's detailed methodology is available in the 'Methodology' section of the report.

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 2020 EY-ULI Index compared with 61.5 in 2017). Canary Wharf ranks fifth globally. London remains a stronghold for corporate headquarters in Europe - between 2009 and 2018, the UK's capital attracted four times more headquarters than the Paris region. Both business districts also benefit from London being an highly sought-after center for global banking, finance and university activities. According to an interviewee, "People don't question the long-term attractiveness of London despite the Brexit uncertainty." London leverages a high concentration of skills where 58% of the metropolitan population graduated from higher education. Canary Wharf 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. This has contributed to the increase of Canary Wharf EY-ULI Index by almost two points, despite the effects of Brexit.

Midtown in New York (57.5) and Tokyo Marunouchi (54.7) remain in the second and third positions, 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.

GBDs' overall ranking in 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

Paris La Défense remains at the fourth position thanks to 49% of its metropolitan population being highly skilled, the density of the transport infrastructure in the Paris region and a high concentration of international headquarters (Fortune 500, *Société des Bourses Françaises* (SBF) 120 companies, and large consulting firms).

However, the competition between business districts is intensifying. The range of the EY-ULI Index scores² has narrowed from 55.5 in 2017 to 49.5 in 2020. This is especially true for the top five, where the business districts are closer to each other. The City of London and Midtown's scores have decreased while scores of Marunouchi, Paris La Défense, and Canary Wharf have increased.

² Gap between the first and the last business districts' scores.

Asian business districts gain momentum and are ready to compete globally

The largest increases in the EY-ULI Index between 2017 and 2020 were experienced by Asian GBDs, with Beijing leading the lot. Beijing's score has increased significantly thanks to its increasing stock of office space (4.3 million square meters), which now hosts eight Fortune Global 500 companies' headquarters and 850,000 square meters of retail space - more than five times the size of Westfield Les Quatre Temps in Paris La Défense.

All the major business districts in Asia's largest cities have benefited from the marked increase in their socioeconomic indicators. For example, the proportion 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). China is ranked 46th globally on "ease of doing business" by the World Bank, compared with 78th in 2016. India rose from the 130th place in 2016 to 77th in 2018.



EY-ULI Index of business district attractiveness evolution between 2017 and 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

Everywhere, transport networks are also improving: in 2019, Shanghai was ranked first globally just ahead of Beijing in the Mobility and Transportation dimensions by the IESE's Cities in Motion Index (measuring average time to go to work, bike sharing, length of metro network, number of stations, high-speed train network, and the like).



Five observations

based on long-term megatrends
transforming GBDs



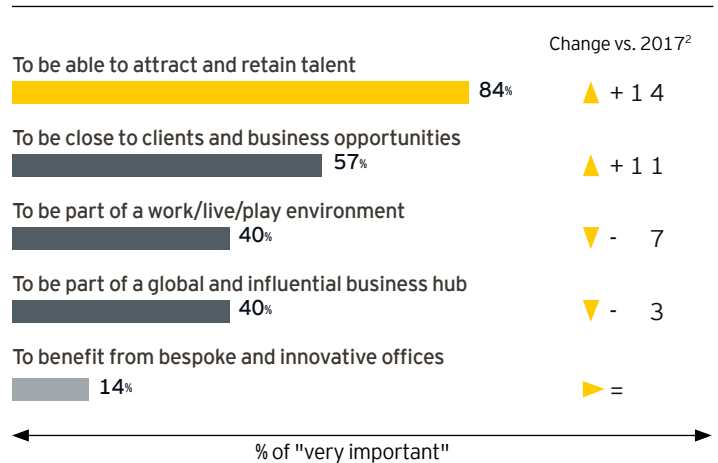
Observation 1

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

According to the United Nations, two-thirds of the world's population will live in cities by 2050. For most of the world's population, cities are and will remain the most attractive places to live, work, and enjoy a safe and promising lifestyle. Although the world's megacities are put to the test by ever-increasing populations and the COVID-19 crisis, competition among them to attract talent, tourists, technology, and capital is ever present. Maintaining attractiveness and cultivating the best possible environments are of paramount importance to foster growth.

Central to this contest is the war for talent to attract highly skilled employees. This strategic factor takes precedence over all other considerations, including proximity to clients and business opportunities, amenities that provide a "work, live and play" environment, degree of influence, and availability of bespoke and innovative offices.

In your opinion, what are the most important 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.

Access to skills is considered of paramount importance

Access to human resources is the primary concern of those surveyed: 84% consider access to talented professionals as a fundamental factor for the attractiveness of business districts, compared with 70% in 2017.

An interviewee remarked, "the race for talent is more important than ever before". The competition to recruit the right skills is becoming stiffer. Talented workers are increasingly mobile and sought after by competing companies. According to the EY Building the Talent of the Future report (2017), more than a third of the key professional skills being sought in 2020 were not considered essential three years before. These include customer experience, entrepreneurial skills, risk management, and data analytics.

Recruitment directly affects the operations and productivity of companies. In 2019, according to Mercer's Global Talent Trends report, executives worldwide cited picking their human resources departments' difficulty in filling vacant positions as their number-one risk. Vacant positions therefore have more impact than the lack of employee engagement and recruitment errors. The recruitment market is particularly competitive in cities and among high-skilled populations, which are most sought after sections of people for companies located in business districts.

The COVID-19 crisis and its aftermath imply that GBDs will have to increasingly focus on health and wellbeing, both within buildings and in public spaces. Only then they would be able to truly demonstrate their "work, live and play" commitment, and attract and retain talent and tenants.

The ease of business interactions in the world's largest business cities is decisive

Stakeholders in large business districts emphasize the growing importance of businesses being near to markets, customers, and partners. The EY-ULI survey reveals that 57% consider this factor to be very important, an increase of 11 points compared with 2017.

According to the experts interviewed, the rationale of specialization is gaining ground and explains why the business factor has returned to the forefront of business districts' attractiveness. Although wealth is increasingly concentrated within large metropolises, which is expected to be 60% of global gross domestic product (GDP) in 2030 versus 57% in 2013, specialization is reinforcing the trend in business districts to cluster large headquarters, banking and financial services, and consultancy companies. It has also inspired the arrival of new business clusters in business districts (e.g., digital, infrastructure, energy, tech developers), a trend which wasn't that visible in the 2017 report. According to an expert interviewed, "business districts are making efforts to attract startups and create large and diversified business communities. The rationale of cluster has never been so strong as startups

and tech companies increasingly need to be close to consultancy firms and financial services, which are historically located in business districts."

The urban environment, the real estate landscape, and the overall influence of the GBD improve the attractiveness for talent and clients

In addition and closely related to attractiveness for talent, two other prominent features are important for the appeal of business districts: "benefiting from an attractive urban environment" and "being in a center of local and global influence" are considered very important by 40% of respondents.

These two factors remain high but have decreased by seven and three points, respectively. However, the value placed on location is a major differentiating factor in terms of competition, whether locally or internationally. According to experts interviewed, the quality of the urban environment in the neighborhood is an essential condition for large companies to attract and retain employees. "The amenities outside office space are getting more and more important for business districts. This is now clearly the reason why commuters travel one hour in the morning and one hour in the evening to come there", says one interviewee. Talented professionals are looking for easily accessible workplaces with surroundings that offer amenities during and after working hours (restaurants, sports, culture, shopping, and the like).

63% of millennials would accept a maximum transport time of 30 minutes

Source: *Les millennials au travail, au-delà des idées reçues*, CBRE (2016)

In addition, the perception of the level of influence of the district can be seen not only through the large corporations headquartered there but also through the business travel experience. The perceived influence is a fundamental factor and catalyst for overall appeal of the business district.

Finally, having a "bespoke and innovative" real estate supply is considered very important by 14% of respondents, which is consistent with the results of the 2017 survey. While companies do not overlook the appeal of the real estate landscape, they do consider high-quality buildings and infrastructure as a prerequisite. They examine the real estate market closely after having assessed the overall business climate, influence, and urban environment of the business district. Nevertheless, the quality of office space is one of the elements that contributes to attracting and retaining talent by offering open, collaborative spaces with additional services.

83% of millennials think that the design and office layout is essential to productivity

Source: *Les millennials au travail, au-delà des idées reçues*, CBRE (2016)



Observation 2

Prioritizing the environment is an obligation to attract talent and tenants

According to the UN, cities today occupy 3% of the Earth's surface but account for 60% to 80% of the total energy consumption and 75% of carbon emissions.

An ever-growing number of governments have implemented or announced regulations to reduce carbon emissions and energy use of buildings, following the Paris agreement.

The lack of social interaction during the COVID-19 crisis has made people realize how important it is. As companies continue to focus on retaining employees, they will also have to improve the quality and attractiveness of the workplaces to make it more conducive to social interactions.



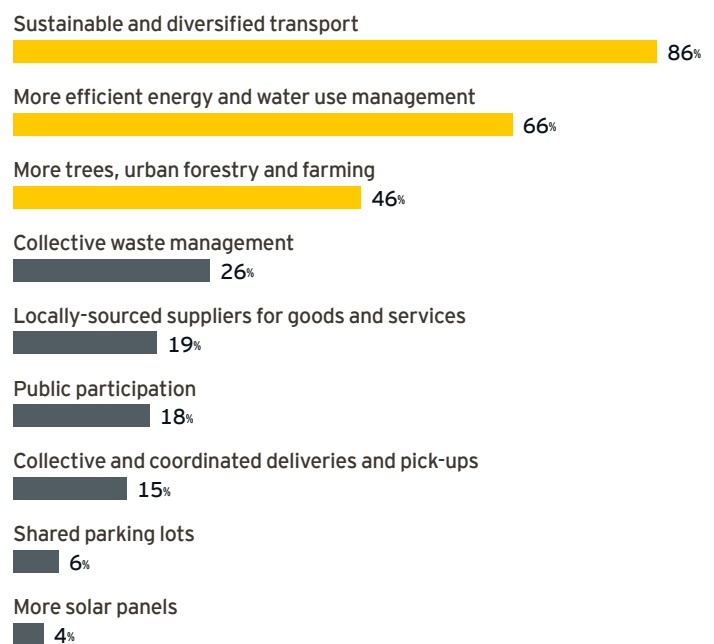
In 2020, global awareness of environmental issues has grown drastically

ULI's regular research¹ into climate change awareness and associated risk management has shown a gradual increase of awareness and action, with a steep increase visible over the past 12 to 18 months. As a result, global real estate players are taking a much more active and stringent approach.

Where the focus has traditionally been on climate mitigation measures only, such as those related to reduction of energy use, investors and cities are now increasingly concerned about the physical risks and the ways to manage them. These increased concerns also appeared in the ULI's Emerging Trends in Real Estate®: Europe 2020 report. According to respondents, climate change is expected to have the biggest impact on real estate over the next 30 years. In addition, almost half of the survey respondents say that climate change has become a greater risk in their portfolio over the past year and 73% expect that risk to become even greater over the next five years.

¹ ULI, Climate change implications for real estate portfolio allocation: Industry perspectives (2016), and ULI, Climate risk and real estate investment decisions (2019).

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



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



This is the most significant development business district players are experiencing. The requirement to act on environmental stewardship is becoming urgent, and the calls for action are growing stronger, especially among young professionals. The race for talent being pivotal, their demands are a priority for business districts.

According to one expert interviewed, "a focus on environment and sustainability is required to attract talent as well as tenants who care about their overall image."

The topic of sustainability is relevant to business districts which also need strategies as their local governments and regulators are looking to impose stricter conditions and environmental controls. In the Netherlands, for instance, a minimum energy standard of class C will be needed from 2023 for a building to be allowed to be leased. Similarly, in the United Kingdom the Minimum Energy Efficiency Standard is being used to implement higher efficiency standards for commercial buildings.

And at the same time, many of the cities where the most dominant business districts are located are in coastal regions facing increasing risks related to flooding and extreme weather events.

Environmental performance is not only related to energy use and carbon emissions of individual buildings, but also to broader elements such as infrastructure and green space.

For 86% of the survey respondents, having a diversified and sustainable transport network is the top priority in terms of environmental performance. It is followed by efficient resource management (water, energy) at 66% and adding more vegetation to the district (46%).

Almost all the stakeholders interviewed proposed urban parks as one of the solutions to make their GBDs more sustainable. These spaces are presented as the "green lungs" of their neighborhoods and one of the means to offset carbon emissions from the construction and operations of buildings, as well as transportation. Parks also represent a convincing argument for attracting talent, thanks to the social experiences they offer (meeting places, rest and relaxation, sporting facilities, or public events). Moreover, as society is likely to reassess how it spends its leisure time after the COVID-19 crisis, the value accorded to wide open spaces is expected to grow².

² EY, Michael Hasbani, Seven likely implications of COVID-19 for real estate (2020).

The GBD environmental ranking still favors European cities

In terms of environmental performance, European business districts occupy the top six places. This can be partly attributed to investors' strong attention to environmental certifications for buildings and an increase in the regulations issued by national governments following the Paris agreement.

Bankenviertel in Frankfurt tops the ranking thanks to abundant green spaces, good air quality, wastewater treatment provisions, and a good index for sustainable transportation. Paris La Défense ranks second thanks to the new projects for public transport lines, the high environmental standards of buildings and the low use of fossil fuels in France. In addition to the European business districts, Toronto and São Paulo stand out in terms of their share of renewable energy.

Interests are also moving beyond core environmental issues, with investors and developers caring more about broader environmental, social and governance (ESG) concerns with a specific focus on social elements. In a poll held at the annual ULI Europe Conference in London, February 2019, a large majority of the attendees agreed that a bigger focus on social value by the real estate industry would lead to better outcomes for society.

The COVID-19 crisis will emphasize companies' societal roles and responsibilities. The active role companies are playing to address environmental issues might also add to society's expectations. For the generation coming up behind generation Z, the post-pandemic 'new normal' will just be 'normal'. The impact of this generational shift will likely be profound. Generation Z are the first digital natives and the first global cohort born into the climate emergency - making them more focused on climate and social value issues than prior generations.

Essential qualities

- Number of public transportation lines (subway, tramway, regional train)
- Public and commercial sector's CO2 emissions

Desirable qualities

- Number of public transportation lines under construction
- Proportion of green spaces
- Global cities for Green Building Performance Index
- Sustainable mobility cities ranking
- Air quality
- Position on the Paris agreement
- Wastewater treatment to reduce environmental impact
- Share of fossil fuel in electricity production
- Share of renewables in final consumption

● Business District ● City ● National

Business districts environmental performance 2020 ranking

Ranking	Business district	EY-ULI Index
1	Frankfurt - Bankenviertel	70.9
2	Paris - La Défense	70.8
3	London - The City	65.2
4	London - Canary Wharf	64.4
5	Toronto - Financial District	62.1
6	Amsterdam - Zuidas	59.7
7	São Paulo - Paulista Avenue	59.0
8	Sydney - CBD	58.3
9	Singapore - Downtown Core	53.2
10	Seoul - Gangnam	49.2
11	Hong Kong - Central District	43.3
12	Tokyo - Marunouchi	42.3
13	New York - Midtown	42.0
14	New York - Financial District	41.8
15	Shanghai - Pudong-Lujiazui	37.4
16	Chicago - The Loop	36.8
17	San Francisco - Financial District	36.7
18	Beijing - CBD	34.6
19	Mumbai - Bandra Kurla Complex	34.6
20	Dubai - DIFC	34.4
21	Johannesburg - Sandton	31.1



Observation 3

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

Over time, cost competitiveness has shown to be a consistent factor impacting attractiveness of global business districts. This 2020 report has shown that the war for talent is influencing economic decisions.

This pushes companies, located in these districts, to optimize their costs and organizational arrangements.

Some companies have achieved this by utilizing shared workspaces and digital platforms. It remains to be seen how digital platforms, technology adoption and shared working environments will be utilized going forward, especially given the current social distancing measures.

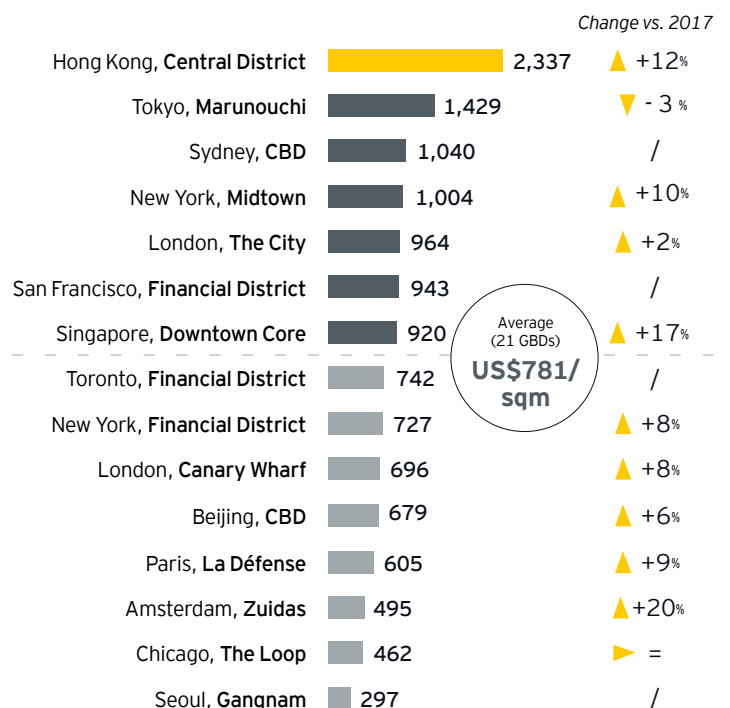


The talent race is putting pressure on property prices

Of those surveyed, 26% believe that cost-competitiveness is a very important factor in the attractiveness of business districts, compared with 35% in 2017. This decline may seem paradoxical because prime rent levels in business districts increased between 2017 and 2019 (for example, plus 12% in the Central District of Hong Kong, plus 17% in the Downtown Core of Singapore, plus 20% in Amsterdam Zuidas).

Over the past few years, we have increasingly seen occupancy costs to be viewed in a different, much broader perspective. According to one expert, "corporate occupiers are so preoccupied to attract talent [they] are ready to pay more. It is about keeping them happy and productive." The office location and amenities both within the building as well as around it, have become much more important to attract talent. At the same time, many companies implemented parallel cost strategies to offset the higher occupancy costs, for example by creating more collaborative, shared, and open spaces, which resulted in a reduction of the 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.

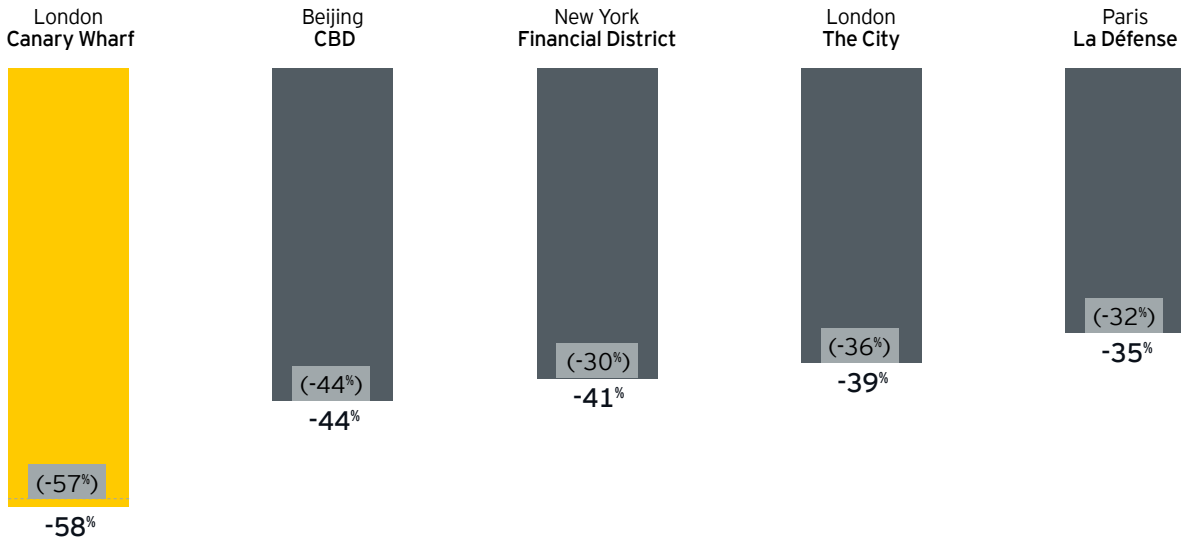
Prime rents level in the 15 most attractive business districts in 2019 (US\$/sqm)



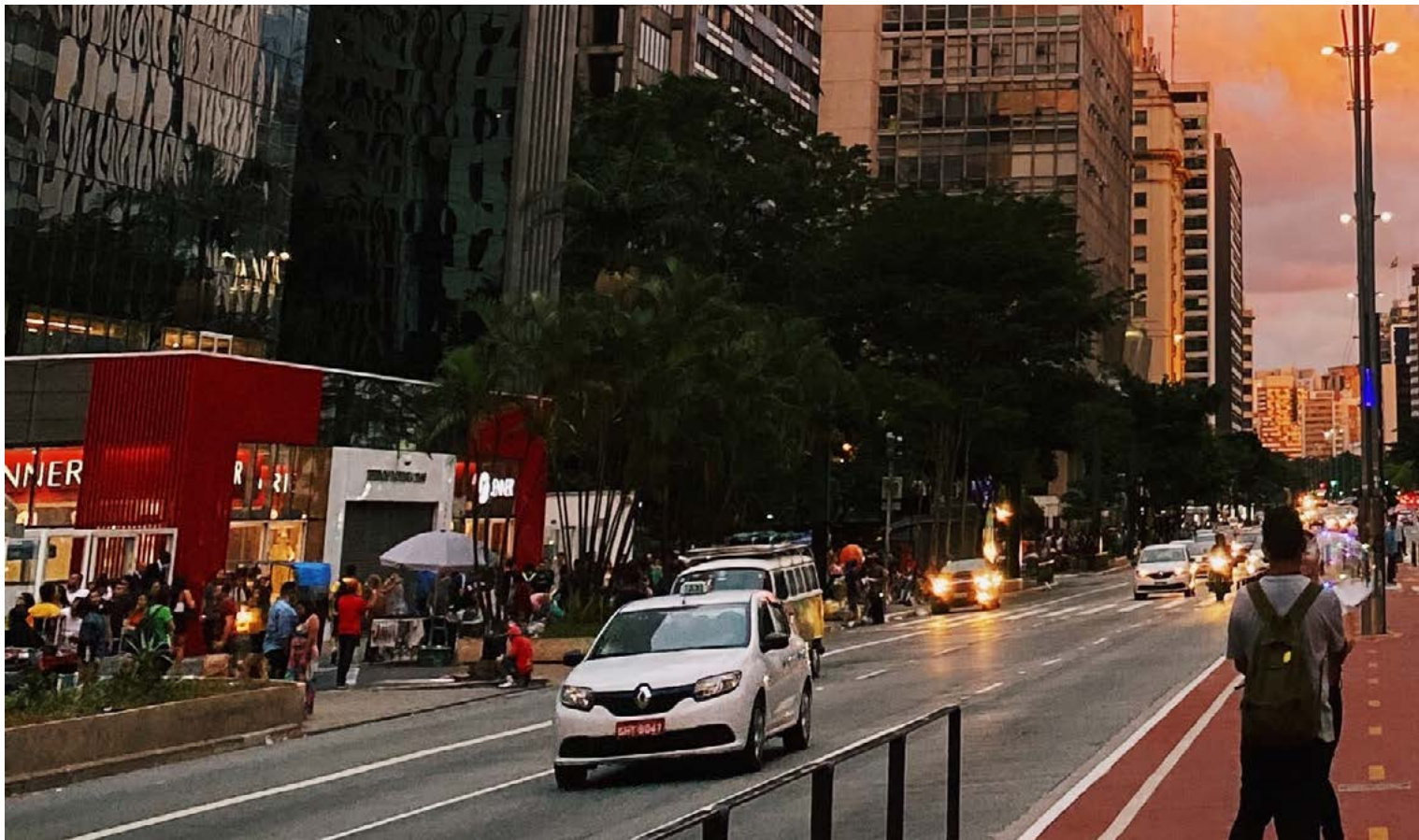
Source: 2019 - Cushman, JLL, CBRE, KnightFrank

In that respect, it is worth recalling that some business districts are quite competitive in terms of costs compared with their regional real estate markets. In Canary Wharf, for example, the average rent is 58% lower than the prime rent in Mayfair. In New York’s Financial District, the rent is 41% lower than rents in Greenwich Village, which has a very high-quality office space market but without the same surface areas and amenities. In Paris La Défense, the average rent is 35% lower than the average rent in the Paris central business district (CBD).

Business districts with the largest rent gap compared with the prime rents in their metropolises 2017 gap (in parentheses)



Source: 2019 - Cushman, JLL, CBRE, KnightFrank



Cost reduction and health and safety measures might put additional stress on GBDs

COVID-19 has already spurred rapid technology adoption, potentially changing the working world. Lockdowns are prompting organizations to embrace video conferencing¹ and other online communications tools. As the crisis continues, it could accelerate development of next-gen remote working technologies, such as augmented and virtual reality. If these technologies generate efficiency gains, organizations may retain them beyond the crisis.

Preliminary statistics show that remote working will increase from its pre-crisis rate of 30%². As an interviewee remarked, "the way people are working is going to change. There will be more people working from home and global business districts will have to rely more on technology." New collaboration and teamwork models could emerge. This process may reframe the nature of work and the role of offices in GBDs, with companies rethinking their real estate strategy and footprint³.

The financial impact of the crisis on businesses, including multinationals, that represent the bulk of GBD tenants, will be multifaceted. They are required to finance the emergency response along with the mitigation and resilience costs around planning and recovering from the outbreak.

In March 2020, JLL⁴ reported that "the outbreak could put greater pressure on [office] markets which are already in a late stage of their cycle, creating the potential for a delay to investment activity and softer rental growth than previously forecasted. An increase in remote working is likely to reduce office utilization rates". Business district stakeholders and asset owners may see lower take-up of office space while increasingly having to foster innovative and healthier workspaces, responding to a focus on social distancing and wellbeing in the workplace.

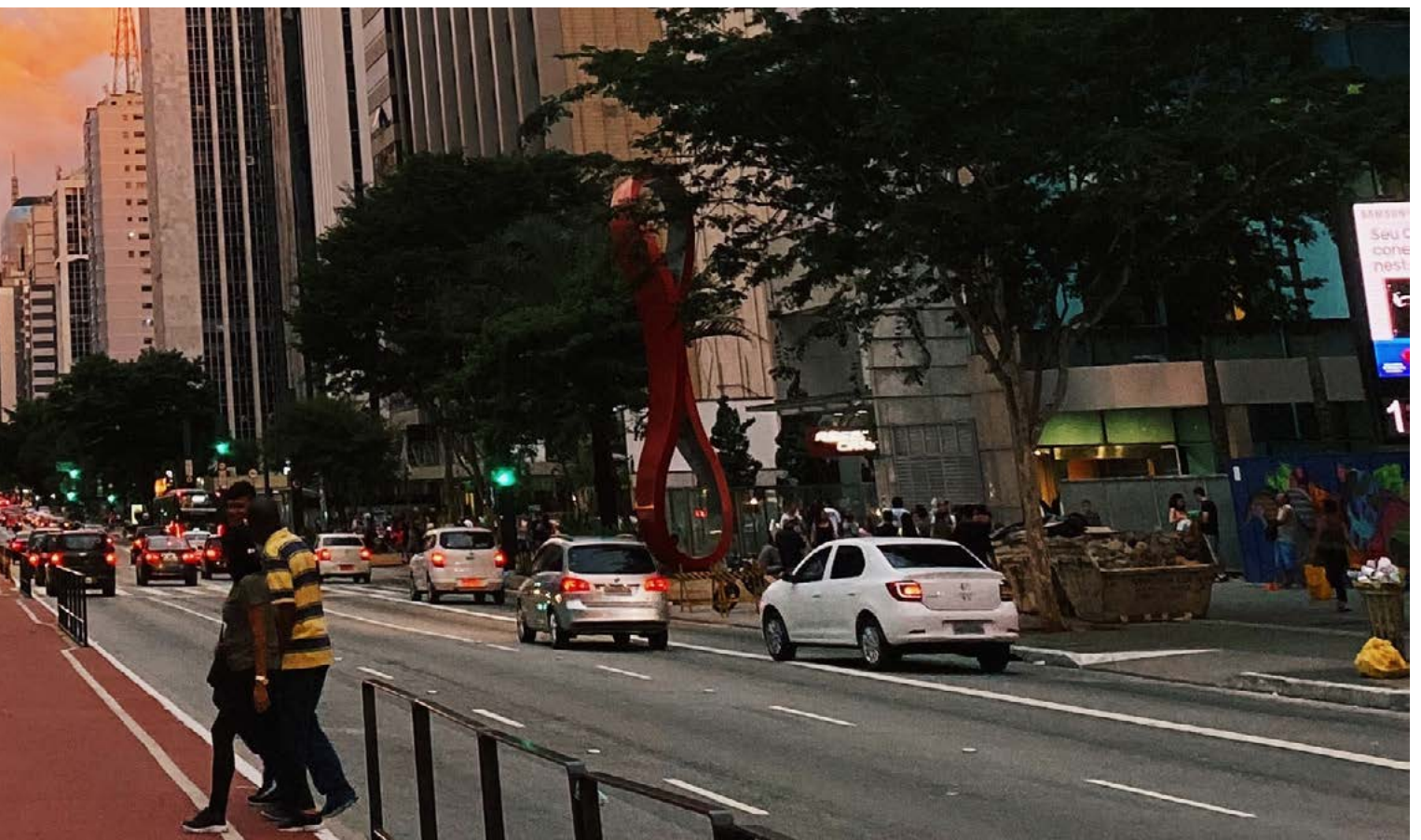
Overall, there are many factors at play now and going forward that might impact the demand for office spaces in general and more specific building types in particular, among which the social distancing requirements, the need for humans to socially interact to create and innovate, cost reduction measures and an increased focus on technology, health and wellbeing and sustainability. It is yet uncertain how the balance of all these factors will play out. As a result, demand for office space might be impacted for some time, while building owners are likely to face higher operational management expenses related to cleaning, security, and health and wellbeing.

1. Michael Hasbani, EY Global Real Estate, Hospitality & Construction Advisory Leader, "Seven likely implications of COVID-19 for real estate" (April 2020).

2. Malakoff-Humanis, "Etude télétravail 2020 : regards croisés salariés / entreprises" (2020).

3. JLL, "COVID-19 Global Real Estate Implications" (March 2020).

4. JLL, "COVID-19 Global Real Estate Implications" (March 2020).





Observation 4

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

As has already become clear earlier in this report, GBDs are exposed to a wide and evening widening variety of risks, ranging from climate, health, and economic risks to technological and social risks. These risks are also applicable for GBDs and, therefore, their actors need to better anticipate them, and work to ensure the resilience of the business districts.

GBD stakeholders, private and public, will develop new resilience strategies in a collaborative way and at a larger geographical and technological scale. This is a key condition for effectively responding to the many challenges ahead.

Business and government working together on today's and tomorrow's risks

The interviews conducted reveal the need for greater collaboration within business districts, among public authorities (developers and managers of the districts) and the private sector (developers, investors, and end users).

Considering the growing complexity of projects and the need for integrating commercial, non-commercial and public spaces, as well as dealing with the increasing expectations of workers, businesses and citizens, it's becoming paramount to align the interests of all stakeholders. At the same time, greater transparency is needed around the objectives, and investments should be focused on the long-term attractiveness of the districts. Provisions that promote health and wellbeing, including ventilation, air filtration and cleaning, as well as amenities, such as gyms and relaxation areas, will become increasingly important.



The relationship between business and government to respond to the needs of citizens is also a focus of the 2020 ULI Promoting housing affordability report. The recommendations of the report point to the importance of leadership from the public sector to set the vision and framework, and transparency from the private sector with a focus on building trust to enhance collaboration in order to successfully deliver more intermediate housing, which is also a key area to develop for business districts.

Toward smart and resilient cities

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 offerings. In other districts, users are regularly involved in the district's placemaking strategy and sponsor events (festivals, exhibitions, concerts, sports competitions, etc.) to help improve the employees' and other users' experiences.

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)

61% of real estate professionals are worried about housing access in 2020

Source: Emerging Trends Europe, ULI (2020)

According to the experts interviewed, the increasingly widening range of risks facing cities, as shown by the COVID-19 crisis, demonstrates the urgent need to collaborate to protect public spaces and the economic livelihood of small businesses such as restaurants and local shops. These risks call for looking beyond the business district and even the city's borders for solutions. It is a question of thinking about the governance of metropolitan assets on a much larger scale and the links between the business district and its metropolis.

Certain factors that determine the attractiveness of a business district lie beyond its boundaries. This is the case for investments in transportation or housing, which directly affect the ability to access skills that are high in demand. Any lack of quality in the urban environment, overall living standards, health provisions or security can increase instability in the GBDs, directly affecting the region's attractiveness.



Observation 5

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

There are the immediate concerns of health, safety and economic resilience. And there are underlying megatrends that will determine the attractiveness of GBDs in the future.

According to the professionals interviewed, business districts are increasingly looking to enhance the 'experience' for their users, mainly employees of companies, as well as inhabitants, tourists and consumers. This trend was already visible in the 2017 Attractiveness of Global Business Districts report and has considerably developed since then. According to the experts interviewed, the COVID-19 crisis might enhance this trend as part of the "new normal".

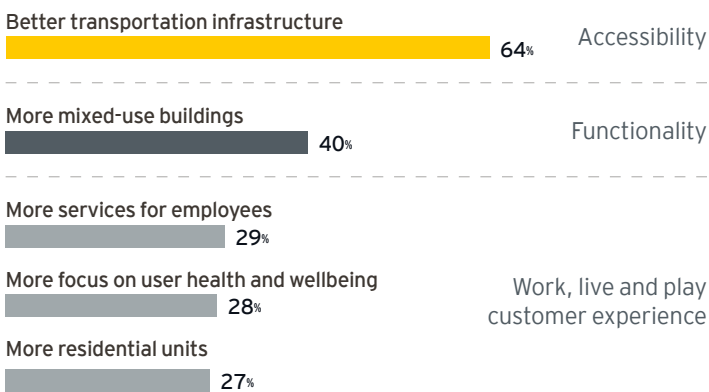
Mobility is seen as a key attractiveness factor

Of the professionals and users surveyed, 64% favor more efficient transport networks. Then, 40% of the respondents regard mixed-use spaces as important and 29% favor services for workers as well. Business districts are no longer judged solely on their economic offering, but more and more as hubs of social life, with a focus on community building and placemaking.

Business districts are moving from a focus on office space provision and innovation to fully functioning entertainment districts. According to the professionals interviewed, the key is about creating a 24/7 experience to amaze and surprise employees from the time they leave the metro station to the entering of the offices. It is about transforming the business district into a destination, offering a differentiating experience.



The five main trends of business districts' future



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

The focus must also be on health and wellbeing (28%) and the development of housing (27%), which provide additional potential for mixed-use projects.

The need to create communities is a priority not only for the larger business districts, but also for the buildings within them. Especially in an environment characterized by high-rise buildings, this sparks innovative approaches to connect communities vertically. As part of this effort, commercial building space is transformed into amenities and community spaces. These may not directly yield revenue but will help to connect the building users and visitors to develop the community. Such projects improve the quality of indoor spaces as well as the overall urban environment of business districts.

As far as providing office spaces are concerned, it is not only a matter of offering square meters of office space but also of meeting a variety of customer expectations (mobility, flexibility, services, connectivity, living spaces, and so forth). Especially since remote working arrangements are increasing, business districts must provide more value that employees might not be able to experience at their homes or other spaces. This will help to attract them to visit and utilize the office spaces more. According to experts interviewed, business districts have a lot to offer in terms of meeting spaces and collaborative workspaces.

Mixed-use spaces continue to transform business districts profoundly

This trend, already observed in our Attractiveness of Global Business Districts 2017 report, aims to respond to the dual challenge of business districts: how to further develop themselves and enhance their appeal while optimizing costs and securing income? End-users demands, public authorities' requirements for affordable spaces, and the economic interests of developers and investors all revolve around the creation of mixed-use spaces.

	Users	Public authorities	Developers and investors
Attracting talent	<ul style="list-style-type: none"> ▶ Work space quality ▶ Service offering 		
	<ul style="list-style-type: none"> ▶ Animation and quality of the urban environment ▶ Transportation system, accessibility 		
	<ul style="list-style-type: none"> ▶ Environmental performance 		
Managing the costs	<ul style="list-style-type: none"> ▶ Mixed uses 		
	<ul style="list-style-type: none"> ▶ Flex office 	<ul style="list-style-type: none"> ▶ Modularity of spaces and projects to allow functional evolutions over time 	
			<ul style="list-style-type: none"> ▶ Collaborative spaces ▶ New services

According to developers and investors interviewed, a mix of diverse uses makes it possible to create real estate projects with a better risk-return balance. According to the experts interviewed, mixed use contributes to making business districts more resilient economically because of the diversification of the sources of income. "Mixed use is the only way to keep business districts alive in the event of a new economic crisis. Residents would still be there, and local shops would still operate even if the demand for office space is decreasing. We could say that mixed use could protect the future of business districts", said one interviewee. This is especially visible and relevant during periods of lockdown or reduced economic activity.

ULI's research in the field of "good density"¹ has demonstrated that combining commercial real estate with different forms of housing and social infrastructure ultimately leads to better outcomes and returns, given the lower volatility and diversification of income streams. In this respect, housing - and especially affordable housing - deserves a special mention, given the lack of affordable housing in cities and the negative impact this has on cities² and therefore business districts' competitiveness. Affordable housing has a key role to play in the long-term viability of business districts. Many large investors have also started to consider the asset's performance in areas such as the environment, social responsibility, and resiliency with affordable housing and social infrastructure scoring positively on these elements.

1. ULI, "Density: drivers, dividends and debates" (2015), and ULI & Coalition for Urban Transition, "Supporting smart urban development: successful investing in density" (2018).
 2. ULI, "ULI Europe Residential Council Vision Statement" (2017).



Detailed results

of the 2020 GBD Attractiveness Report by attractiveness factors

Earlier in the report, we presented the overall ranking of GBDs. In this section, we present the ranking of each competitor according to the five dimensions identified as critical factors by the 349 experts surveyed:

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

To assess and rank each of the 21 GBDs, 46 indicators were used, giving a total of 966 data points. The data used addresses the business districts and their metropolitan areas as well as national indicators.

Although the data gathering, weighting, and ranking were done in early 2020, we think they provide an accurate picture of the current competitive field. We consider it to be a solid starting point to monitor GBDs' attractiveness and the impact of long-term megatrends, some born before the crisis and others emerging more in its aftermath.



Factor 1

Ability to attract and retain talent

Very important for 84% of respondents

Concentration of skills and transportation networks: the key attractiveness factors for CBDs

The core based in business districts are competing to attract people from high-skilled talent pools. In the metropolitan areas of business districts, the level of qualified skills has grown significantly compared with 2017 (the share of graduates in higher education has increased by four points on average). This is notably the case in Asia, highlighting a rebalancing of the leading global economies. The question of access to skills is more crucial since the new forms of work and aspirations of younger generations are upending old trends. According to the think tank Atelier International du Grand Paris - which studies issues related to the Paris region - the number of self-employed workers has been increasing by 10% each year. Nearly 1.7m people used to work in coworking spaces worldwide in 2018 versus only 21,000 in 2010¹. Temporary partnerships between workers and large companies as well as remote working are expanding and attracting the most qualified professionals.

1. KnightFrank, "Zoom sur le coworking" (2018).

2020 "ability to attract and retain talent" EY-ULI ranking

	Business District	EY-ULI Index
1	London - The City	77.0
2	London - Canary Wharf	70.0
3	New York - Midtown	58.4
4	Paris - La Défense	55.3
5	Toronto - Financial District	54.0
6	Chicago - The Loop	53.8
7	New York - Financial District	51.2
8	Hong Kong - Central District	49.0
9	Singapore - Downtown companies	48.6
10	San Francisco - Financial District	47.9
11	Sydney - CBD	47.4
12	Amsterdam - Zuidas	46.5
13	Seoul - Gangnam	45.4
14	Tokyo - Marunouchi	43.4
15	Beijing - CBD	41.5
16	Dubai - DIFC	38.2
17	Frankfurt - Bankenviertel	37.7
18	Shanghai - Pudong-Lujiazui	32.5
19	Johannesburg - Sandton	16.6
20	Mumbai - Bandra Kurla Complex	9.9
21	Sao Paulo - Paulista Avenue	7.4



According to one expert interviewed, "transportation is the basics of business districts attractiveness". As ULI reaffirms in the report *Emerging Trends in Real Estate®: Europe 2020*, transport strongly influences investors' allocation decisions, with 49% factoring it into decision-making about investing in specific assets, 32% into the choice of city, and 19% into the decision of which district to invest in.

With an efficient transportation network and a proportion of higher education graduates totaling to 58% (plus two points in three years), the City of London and Canary Wharf maintain a competitive advantage in this domain.

Cost of living and English proficiency levels: constraints for New York and Paris, respectively

New York has maintained the fundamentals of its competitiveness with graduates from higher education totalling 48% and the city's fifth position globally in transport according to the IESE, which is largely the same since 2017. However, the cost of living in New York is a major inhibitor for the city to attract talent. According to Mercer, New York was ranked the ninth most expensive city in the world in 2019, compared with 11th in 2016. In contrast, Johannesburg, Toronto, and São Paulo are ranked the most affordable cities among the sample.

Paris La Défense also scores positively based on its level of education, network of schools, and efficient transport network. However, though the average proficiency in English has increased over the past three years (plus three points on the EF English Proficiency Index), most of the experts interviewed confirm that language barriers remain an obstacle to surpass the top three business districts and occupy the first position.

Essential qualities

- Proportion of metropolitan employment
- Share of population with university degrees
- Number of universities in the Times Higher Education
- Quality of transport system

Desirable qualities

- Number of students
- Share of international students
- Average level of English proficiency
- Cost of living (including housing affordability)

● Business District ● City ● National



Factor 2

Proximity to markets, customers, and partners

Very important for 57% of respondents

Asian and American business districts top the rankings for their overall business climate

Tokyo Marunouchi continues to lead the world ranking of economic strength and ease of doing business. It hosts 18 Fortune Global 500 corporate headquarters, the largest number among the business districts. And there are 51 such headquarters in Tokyo's metropolitan area. The city also has the highest regional GDP and a stable business climate, which serve as leading attributes for the Japanese capital.

2020 "proximity to markets, customers and partners" EY-ULI ranking

	Business District	EY-ULI Index
1	Tokyo - Marunouchi	84.6
2	Seoul - Gangnam	62.2
3	New York - Midtown	61.4
4	Beijing - CBD	59.9
5	New York - Financial District	54.7
6	San Francisco - Financial District	50.3
7	Paris - La Défense	46.6
8	Chicago - The Loop	40.7
9	Singapore - Downtown Core	39.8
10	London - The City	37.8
11	Shanghai - Pudong-Lujiazui	37.0
12	Toronto - Financial District	36.3
13	Hong Kong - Central District	35.1
14	London - Canary Wharf	34.5
15	Frankfurt - Bankenviertel	32.8
16	Sydney - CBD	31.7
17	Amsterdam - Zuidas	31.4
18	Dubai - DIFC	29.9
19	Sao Paulo - Paulista Avenue	14.6
20	Mumbai - Bandra Kurla Complex	11.5
21	Johannesburg - Sandton	7.4



The business districts of Seoul, Beijing and New York also benefit from high GDPs and a favorable business climate. Seoul stands out for the amount of money companies invest in research and development (R&D), equalling 6.2% of metropolitan GDP versus 2.8% on average for other cities in the ranking.

Paris La Défense ranks first in Europe

The City of London lost its first place in Europe to Paris La Défense. The two London districts are experiencing a decline in the overall UK business climate and political stability, mostly because of Brexit. The improvement of the French economy until 2020 is also noteworthy. Its GDP growth was solid and the number of foreign direct investment projects grew 1% in 2018 when it decreased by 13% in Germany and in the United Kingdom. Thanks to the strength of the French capital region (home to 28 Fortune Global 500 headquarters versus 27 in 2017), La Défense stands out in Europe. This position is reinforced by the strong culture of innovation, with 3.6% of regional GDP invested in R&D by companies based in the Paris region.

Essential qualities

- Number of Fortune Global 500 companies headquarters
- Local GDP
- Share of local GDP invested in R&D
- Business climate index

Desirable qualities

- Number of patent applications per resident
- Number of Fortune Global 500 companies headquarters
- Index of political stability

● Business District ● City ● National

Source: "The attractiveness of world-class business districts", EY/ULI (2017).



Factor 3

Quality of the urban environment

Very important for 40% of respondents

Vibrancy of the urban environment is closely linked to attractiveness to talent

According to one interviewee, "a couple of ingredients are needed to make business districts welcoming for talent. These can include music shows, art galleries, or holiday actions, but two elements are necessary: a healthy environment for employees and places to convene and have a civic life. Urban parks are a good way to match both!".

2020 "quality of the urban environment" EY-ULI ranking

	Business District	EY-ULI Index
1	Singapore - Downtown Core	54.8
2	Chicago - The Loop	53.8
3	New York - Midtown	51.8
4	Toronto - Financial District	51.4
5	Sydney - CBD	49.8
6	London - The City	48.7
7	Frankfurt - Bankenviertel	47.6
8	Paris - La Défense	46.8
9	San Francisco - Financial District	45.5
10	New York - Financial District	45.2
11	Shanghai - Pudong-Lujiazui	44.8
12	Seoul - Gangnam	44.7
13	Amsterdam - Zuidas	43.7
14	Dubai - DIFC	40.1
15	Beijing - CBD	39.0
16	Sao Paulo - Paulista Avenue	38.8
17	Hong Kong - Central District	37.0
18	London - Canary Wharf	34.3
19	Tokyo - Marunouchi	33.3
20	Johannesburg - Sandton	22.6
21	Mumbai - Bandra Kurla Complex	5.3



A global competition led by Singapore

The Downtown Core of Singapore reasserts its leadership position thanks to a massive commercial space supply (618,000 square meters) and its diversified offering of cultural and sporting facilities. The district also benefits from having a wide range of special events and a high ranking for the city-state in terms of quality of life (25th worldwide according to the Mercer index, unchanged since 2017).

Essential qualities

- Usage diversity (ratio of business district residents to workers)
- Amount of retail space
- Range of cultural and leisure facilities
- Proportion of green space
- Ranking of metropolis by quality of life

Desirable qualities

- Ranking of metropolises by resident's satisfaction (a subjective measure)
- Air quality
- Number of restaurants

● Business District ● City ● National

The Chicago Loop benefits from an abundance of green space. It also saw its number of residents increase by 29% between 2013 and 2019 (compared with only 1% for all of Chicago), which reflects an effort to increase the diversity of the built urban environment. Midtown New York also benefits from the neighboring Central Park and an abundant commercial space supply (450,000 square meters).

The Sydney CBD and the Financial District of Toronto benefit from their respective cities' good quality-of-life rankings: according to Mercer, Sydney is 11th in the world and Toronto 16th, which has been consistent for the past three years.

Competition for Europe's crown is fierce

In Europe, because of its greater cultural and sports offerings, the City of London takes the first place ahead of Frankfurt Bankenviertel. Frankfurt and Amsterdam, however, still benefit from a good ranking in terms of quality of life in their metropolitan areas (seventh and 11th worldwide respectively). The opening of the Paris La Défense Arena (40,000 seats) in October 2017, the doubling of the restaurants on offer, and the arrival of new residents (42,000 in total, making it the most-populated business district in Europe) have allowed the French business district to increase its points in the ranking.



Factor 4

Local and global influence

Very important for 40% of respondents

Business districts stand as iconic urban forms in their metropolises

Business districts are usually located in a core location of their metropolitan area. This means the district needs to be well connected to other parts of the metropolis (e.g., international airports) and is often a destination for leisure and business tourism. Furthermore, "further improving international influence is a key priority for business districts. This can be done by holding international activities, congresses and forums and by strengthening contacts with other business districts in the world to promote brands", said one expert interviewed.

2020 "local and global influence" EY-ULI ranking

	Business District	EY-ULI Index
1	London - The City	65.3
2	Tokyo - Marunouchi	60.3
3	New York - Midtown	60.2
4	London - Canary Wharf	58.7
5	Paris - La Défense	56.5
6	New York - Financial District	44.2
7	Beijing - CBD	44.0
8	Shanghai - Pudong-Lujiazui	38.6
9	Singapore - Downtown Core	36.6
10	Hong Kong - Central District	33.8
11	Chicago - The Loop	33.7
12	Dubai - DIFC	33.7
13	Sydney - CBD	26.7
14	Frankfurt - Bankenviertel	26.3
15	Seoul - Gangnam	25.8
16	Amsterdam - Zuidas	25.1
17	Toronto - Financial District	22.9
18	San Francisco - Financial District	21.7
19	Mumbai - Bandra Kurla Complex	8.7
20	Johannesburg - Sandton	8.1
21	Sao Paulo - Paulista Avenue	7.3



London's business districts hold on to their leading positions

As in the 2017 EY ULI report, the City of London is in the first place. Canary Wharf overtook Paris La Défense for the fourth place. Despite a drop in the number of international congresses hosted (minus 10% in three years) and the departure of the European

Medicines Agency as well as the European Banking Authority due to Brexit, the British capital remains a leading business and financial center. It also continues to be a major tourist hub with 19.1m foreign visitors in 2019, tied in first place with the Paris region according to Mastercard's Global Destination Cities Index.

A growing international clout for rapidly expanding Asian business districts

Marunouchi takes the second position, ahead of Midtown, but it is Beijing's and Shanghai's performance that are most noteworthy. The two cities are now among the top 10 influential business districts globally. The annual number of passengers transiting in Beijing's and Shanghai's airports highlight that these centers of political and economic power are more and more connected with the rest of the world (a total increase of 11% during 2015-19).

Essential qualities

- Number of Fortune Global 500 companies headquarters
- Number of annual passengers transiting metropolitan airports

Desirable qualities

- Average transit time between BD and main metropolitan airport
- Presence of a tourist attraction
- Number of Forbes Top 100 Most Innovative Companies headquarters
- Number of international institutions
- Number of international conferences and business conventions
- Number of international tourists
- Number of universities in the Times Higher Education

● Business District ● City ● National

Source: "The attractiveness of world-class business districts", EY/ULI (2017).



Factor 5

Bespoke and innovative real estate supply

Very important for 14% of respondents

Paris La Défense in the top position globally

Paris La Défense rose from the second to the first place globally thanks to an investment and construction boom in recent years. The sharp drop in the rate of vacancy (4% in 2019 compared with nearly 8% in 2017) illustrates the business appeal of the Paris regional market. The renewal of the real estate on offer is expected to continue, with the completion of new office towers planned for 2020 (Trinity, Alto, Saint Gobain skyscrapers, etc.). In 2020 Paris La Défense will see more than 700,000 square meters under construction or planning, amounting to 20% of the current available stock.

2020 "bespoke and innovative real estate supply" EY-ULI ranking

Business District	EY-ULI Index
1 Paris - La Défense	55.4
2 Singapore - Downtown Core	49.9
3 London - The City	47.2
4 Tokyo - Marunouchi	46.2
5 New York - Midtown	45.5
6 Toronto - Financial District	41.5
7 Sydney - CBD	40.8
8 Beijing - CBD	40.6
9 Hong Kong - Central District	39.0
10 London - Canary Wharf	38.6
11 Seoul - Gangnam	37.9
12 Amsterdam - Zuidas	36.1
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17 Chicago - The Loop	26.4
18 Sao Paulo - Paulista Avenue	13.0
19 Mumbai - Bandra Kurla Complex	11.9
20 Johannesburg - Sandton	5.6
21 Shanghai - Pudong-Lujiazui	4.3



Essential qualities

- Ratio of committed future space to existing offices
- Area of space available for future development
- Office vacancy rate
- Stock of office space
- Global Cities for Green Building Performance Index

Desirable quality

- Index of metropolis' technological maturity

● Business District ● City ● National

Source: "The attractiveness of world-class business districts", EY/ULI (2017).

Connectivity and digital infrastructure, sources of business appeal for office spaces

Despite a sharp drop in the future supply (down 51% between 2017 and 2019), Singapore stands out in terms of its digital infrastructure. It has heavily invested in innovation and the connectivity of spaces. The Government announced the objective of equipping at least half of the territory with 5G by 2022. London, New York, Toronto, and Dubai also stand out as digitally connected cities. As buildings are being restructured and renovated, the integration of new technologies can also become a valuable asset. For example, buildings can add sensors to allow predictive maintenance and improve the management of energy consumption and use. As technological devices and data use are increasing, the integration of 5G within business districts as well as across cities can also become a factor of attractiveness for business district users, especially if social distancing measures continue to be enforced when COVID-19-related lockdowns are lifted and segments of staff are still working from home.



Methodology

A complementary approach to the attractiveness of business districts

The report is based on both quantitative and qualitative research:

- ▶ **Quantitative:** A total of 46 objective and quantitative indicators corresponding with 966 data points were used. The data concerns both the business districts and the overall metropolitan environment in which the business districts are located as well as some national-scale indicators.
- ▶ **Qualitative:** In partnership with ULI, a global survey was conducted among 349 real estate professionals, end users, local government representatives, urban planners and academics. In addition, with the support of ULI and the GBD Innovation Club,

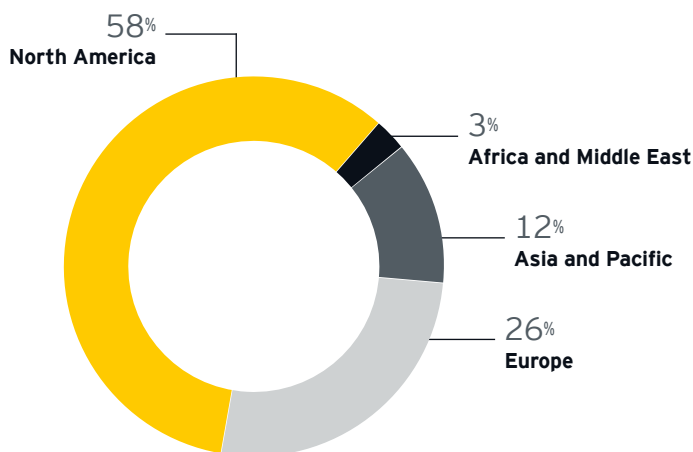
22 individual interviews were conducted with experts from business districts which helped in the interpretation and analysis of the results. These experts, including real estate specialists, business district users, representatives of local governments, urban planners and academics, provided insightful and complementary perspectives. Three additional interviews with business districts leaders were dedicated to the impact of the COVID-19 crisis on GBDs.

Global survey of 349 business district professionals

58% of the survey respondents were located in the Americas. The Europe, Middle East, Africa (EMEA) zone represented 29% of the respondents. The Asia Pacific region accounts for 12% of the responses. As in the first survey, the results were weighted in relation to the standing of each geographic area in world GDP to ensure better representativeness of the responses.

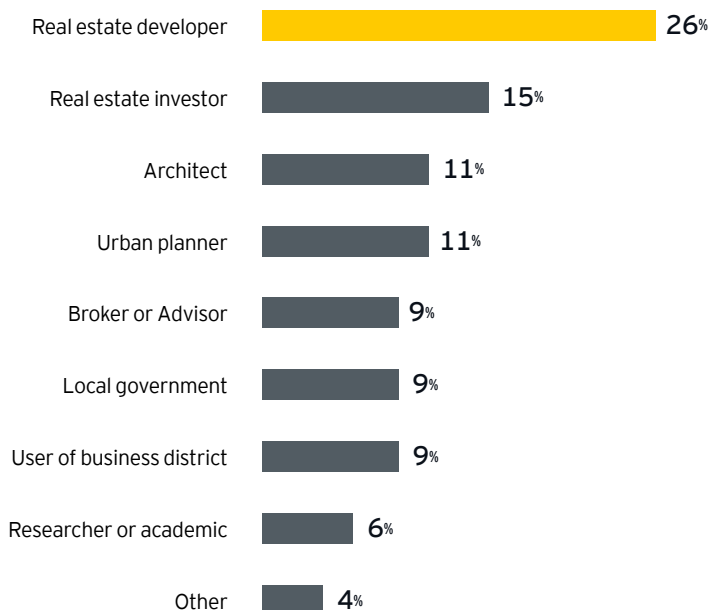
The survey respondents represented a balance of professional backgrounds: more than half of the respondents work in the real estate sector, either as a real estate developer (26%), real estate investor (15%), urban planner (11%), or architect (11%). Business district end users were represented by 9% of the respondents, from companies notably specializing in auditing, consulting, finance, and law.

Sample breakdown by region



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

Sample breakdown by activity



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



Selection of the 21 GBDs

The concept of a business district signifies a defined urban space, with a high concentration of office activities with high added value, within a major metropolitan area.

Various discussions were held around the definition of the business district - notably considering the definition given by INSEE¹ as well as the work carried out by APUR and Sciences Po in 2015-2016² and that of the IAU-IDF in 2015³. These discussions led to the selection of five common characteristics, which constitute the basis for defining the survey:

- ▶ The city being ranked in the top 100 of the most populous metropolises in the world
- ▶ The presence of large office spaces
- ▶ The presence of a major jobs center in the metropolitan area
- ▶ A high concentration of higher-end office and corporate governance activities indicated by the presence of headquarters of large companies
- ▶ Specific urban layout (density and verticality)

These specific characteristics made it possible to propose a methodology for selecting 21 business districts from a sample of 56 global business districts. This method was based on the collection of the following indicators:

- ▶ The metropolitan area's population in 2019 (greater than two million inhabitants)
- ▶ The stock of office space in the business district (greater than 800,000 square meters)
- ▶ The number of headquarters of Fortune Global 500 companies in the metropolitan area and in the business district

1. INSEE, *Le tissu économique des quartiers de gare de la ligne 15 ouest du métro du Grand Paris - Une vocation économique confirmée* (2016).

2. APUR/Sciences Po, *"quartiers d'affaires : enjeux et prospective"* (2016).

3. IAU-IDF, *"Les quartiers d'affaires du Grand Paris"* (2015).

These data allowed each district to be assigned a score (from zero to 100%) by indicator and by region (Europe, Americas, Africa and Middle East, Asia Pacific). The number of districts to use has been allocated for each region in line with its GDP (ensuring for the sake of representativeness that at least one business district for Africa, South America, the Middle East, and India has been selected). In addition, one district on the West Coast of the United States was added, because of its economic weightage. In each region, the districts obtaining the best average score were selected.

This approach resulted in the selection of 21 global business districts. In addition to the 17 business districts studied in the 2017 edition, four new business districts have been added: the Financial District of San Francisco, Gangnam in Seoul, the Sydney CBD, and the Financial District of Toronto.

Factors and data used to assess the performance of 21 GBDs

The general ranking is established by analyzing the relative performance of each district on five factors for business attractiveness:

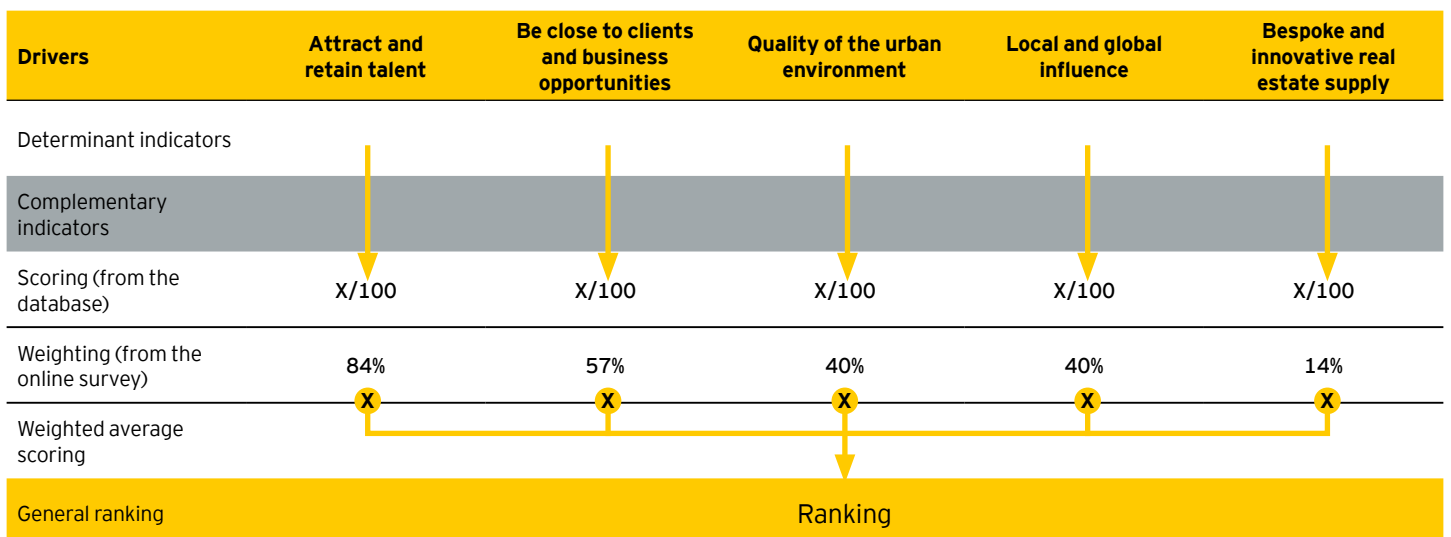
- ▶ Ability to attract and retain talent
- ▶ Proximity to markets, customers, and partners
- ▶ Quality of the urban environment
- ▶ Local and global influence
- ▶ Bespoke and innovative real estate supply

The cost-competitiveness factor is assessed differently, using the value-for-money principle applied when choosing locations. The performance of districts with respect to climate change has also been the subject of a specific classification.

The indicators can be described as "determining" or "complementary". The weightage of the latter is three times less important than the other indicators in the calculation of the scores.

The final ranking is obtained by calculating an average score for each business district, then by applying a weightage to the score obtained in each attractiveness factor. This weighting reflects the importance of the factor, determined on the basis of the proportion of respondents who consider the factor very important in the online survey.

Attractiveness of business districts: five drivers



Main sources

Attractiveness reports, EY (2019);

EY Megatrends (2019);

How can resilience thinking unlock the complexity of cities, EY (2019);

Routes to prosperity via smart transport, EY (2015);

Insights on GRC external risks, EY (2017); Global Talent, EY (2014);

ULI emerging trends (2018, 2019, 2020);

Climate change and real estate investment decision making, ULI (2019);

Promoting housing affordability, ULI (2020); Future trends and market opportunities in the world's largest 750 cities, Oxford Economics (2019);

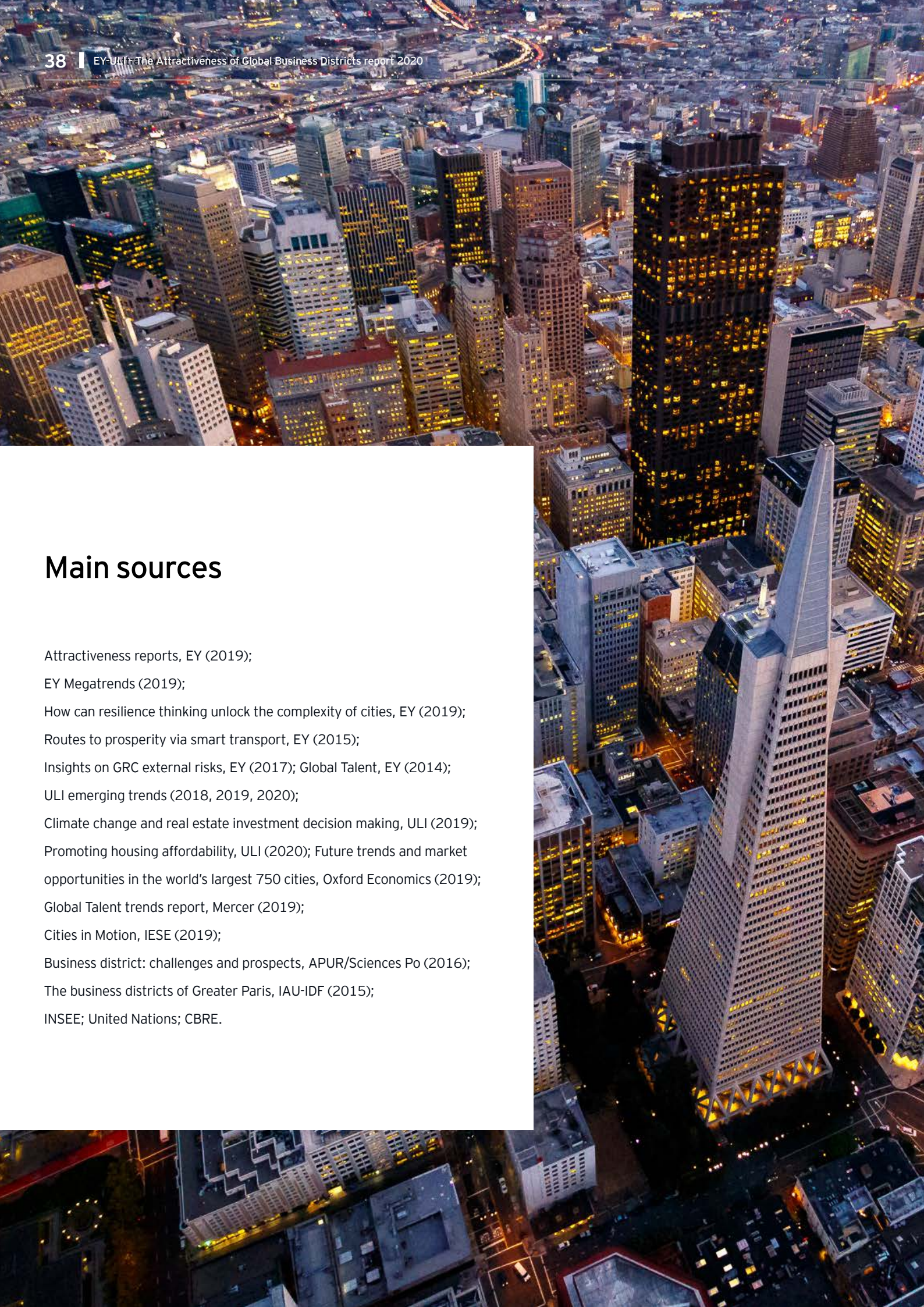
Global Talent trends report, Mercer (2019);

Cities in Motion, IESE (2019);

Business district: challenges and prospects, APUR/Sciences Po (2016);

The business districts of Greater Paris, IAU-IDF (2015);

INSEE; United Nations; CBRE.



Acknowledgment of experts and stakeholders interviewed for the 2020 GBD Attractiveness Report

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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:

[https://www.ey.com/en_gl/real-estate-hospitality-construction/
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