



## St Bride's Managers

London - Number One World City 2021

# London 2021

Every year since the launch of St Bride's Managers World Cities Index in 2011, London has been ranked Number One. The Index identifies the most secure destinations for long-term property investment.

## St Bride's World Cities Index 2021

1	London	11	Washington D.C
2	New York	12	Toronto
3	Singapore	13	Melbourne
4	Tokyo	14	Seoul
5	Los Angeles	15	Amsterdam
6	Chicago	16	Hong Kong
7	Paris	17	Berlin
8	Sydney	18	Stockholm
9	San Francisco	19	Atlanta
10	Boston	20	Dallas

Source: St Bride's Managers, Brockwell Consulting

The question now is... will London be able to continue to retain its top spot in the Index in the light of the impact of the current pandemic and the UK's exit from the EU?

We believe it will, and here are ten reasons why.

### 1. London is a well-rounded city.

London scores well across all five weighted themes of the St Bride's World Cities Index, which is why it is a magnet for overseas businesses and investors.

Currently, only New York is a contender to topple London from its pole position. And whilst Paris, Amsterdam and Frankfurt were all hopeful of reaping significant business following Brexit, so far, outflow has had limited impact.

## London

### Number One World City Rankings 2021

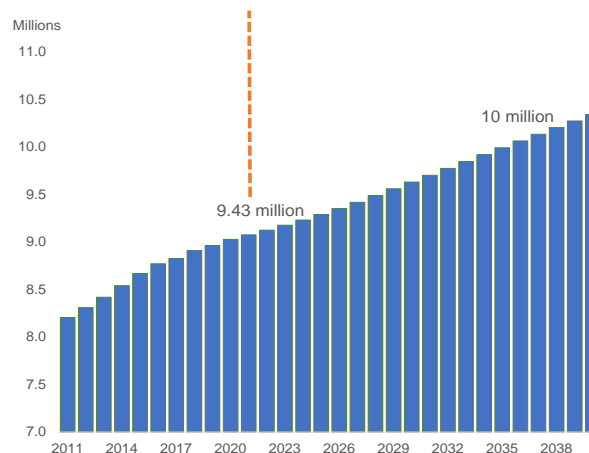
Theme	Weighting	Ranking
Overall Ranking	100%	1
Constitution/Rule of Law	25%	11=
Economic Stability	20%	3
Business Friendliness	20%	2
Property Fundamentals	20%	2
Desirability & Living	15%	2

Source: St Bride's Managers, Brockwell Consulting

### 2. London has a growing population.

Unlike many of Europe's other leading cities, Greater London's population is expected to continue to rise. Currently at 9.43 million, it is projected to reach 10 million by 2035. This growth will provide the skills needed within the population to match the needs of London's businesses.

## London Population and Forecast



Source: Ramidus Consulting, GLA



The streetscape at Oxford Circus is to be significantly enhanced.

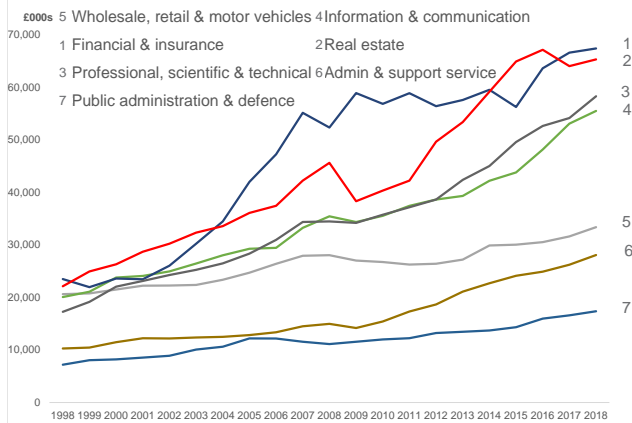
### 3. London's economy is diverse.

London's economy, especially in the high-value sectors, continues to broaden. In part, this is because there has been a sharp increase in the number of SMEs, rising from 1.04 million in 2010 to 1.28 million today.

Importantly, London is recognised as having a highly skilled and innovative labour force, with the city fast becoming a world leader in the digital, media and life-science sectors.

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## Economic Contributions by Sector (GVA)



Source: Ramidus Consulting

## 4. London has become a polycentric city.

London's growing economy, and population, has encouraged the development of new business clusters – principally around the mainline railway stations. Whilst the West End & St James's retain their prestige status (and rents), there has been a 'levelling-up' across most of the rest of the Central Activities Zone.

The opening of the Elizabeth Line (Crossrail) is expected to increase Central London's rail capacity by 10% and provide a boost in the capacity for businesses to grow, especially around Tottenham Court Road and Farringdon.



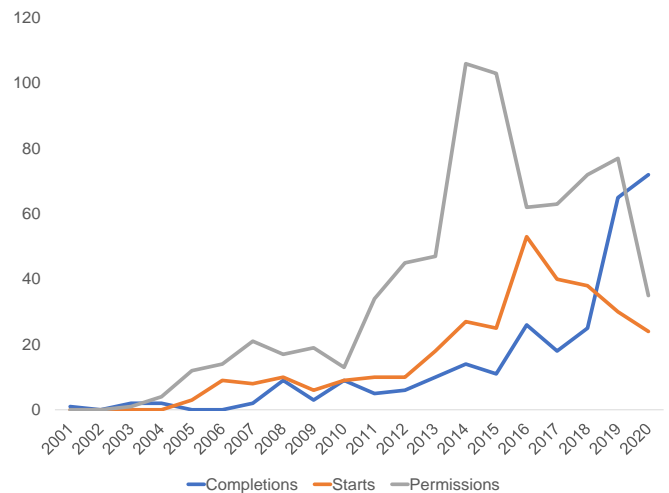
The new Farringdon Station.

## 5. London has started to embrace more high rise buildings.

At the same time as the market has broadened into new clusters, the number of tall buildings has increased. Whilst planning permissions may have peaked in 2013, the roll-out of tall buildings is set to continue at record levels for some time.

Whether tall or low-rise buildings, over the next ten years London will inevitably continue to see substantial redevelopment/refurbishment not least as it strives to meet its obligations in terms of climate change and environmental compliance.

## London's Tall Buildings - By Number



Source: Ramidus Consulting, New London Architecture



The Shard is London's tallest building.

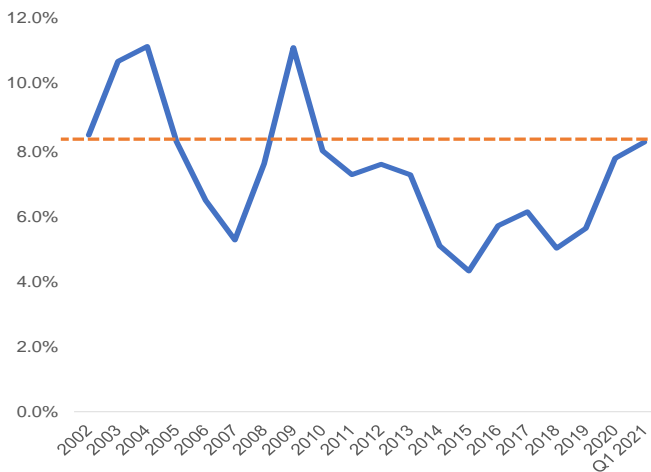


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## 6. Despite challenging times, overall office vacancy is only 8.3%.

It was hardly surprising that 2020 saw such poor take-up in offices and, with the completion of several significant developments, London's office vacancy rate has risen to 8.3%, its highest level since 2009. However, despite the challenges of Brexit and more recently the COVID-19 pandemic, vacancy is significantly below the peak following the GFC (when it topped 11.2%), showing a continued appetite for office space.

### Central London Office Vacancy

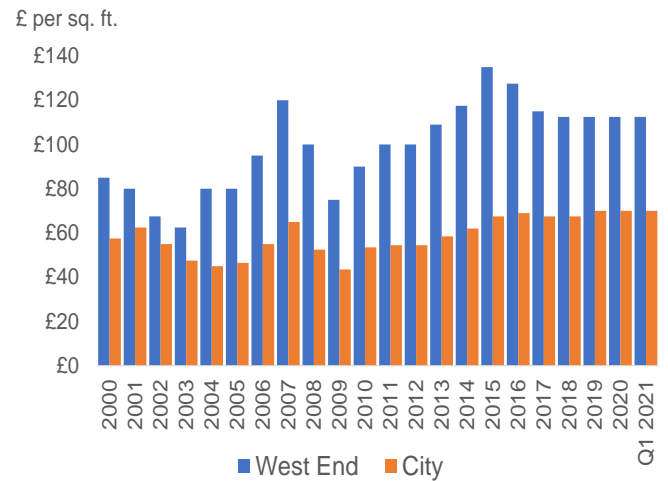


Source: BNP Paribas

## 7. We expect headline office rents to soften, but not dramatically.

Whilst landlords will now endeavour to maintain high headline rents by offering tenants greater incentives, it is our opinion that effective office rents are unlikely to fall by more than 10%, before recovering.

### Prime London Office Rents (last 20 years)



Source: BNP Paribas



Tottenham Court Road will benefit significantly from the opening of the Elizabeth Line.



Notwithstanding the sector's challenges, demand remains strong for prime London retail investments.

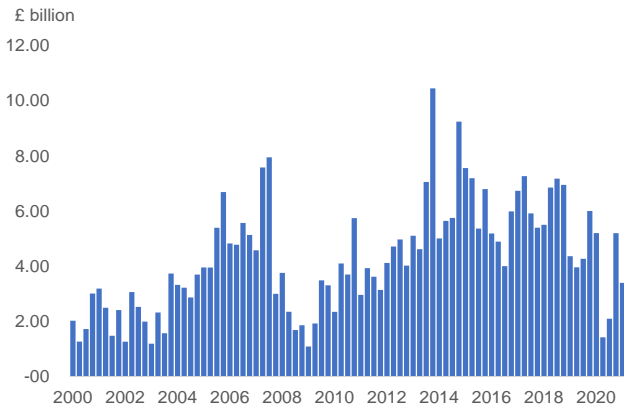
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## 8. London consistently attracts the most amount of overseas investment.

The fall in commercial property investment volumes in 2020 might suggest that the recent buoyant market has been punctured. This is far from the case. For Grade A assets, there is still significantly more demand than supply, especially from overseas, demonstrating London's enduring attractiveness to investors.

## Commercial Property London Investment Volumes

(Last 20 years)



Source: Lambert Smith Hampton



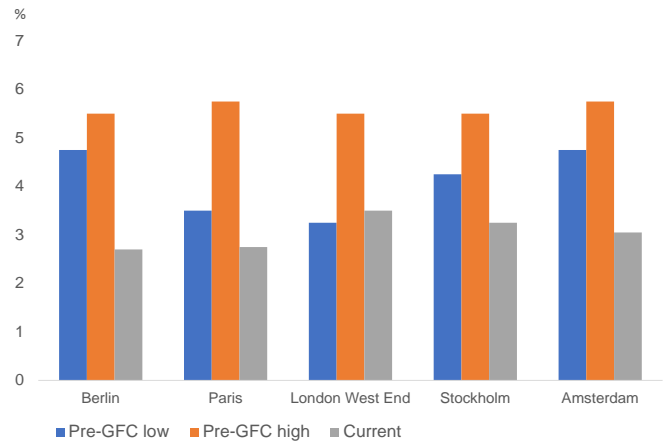
London City Airport.

## 9. Despite the pandemic, prime London office yields have hardened over the past twelve months.

Even though London is ranked the Number 1 World City, its prime office yields are still higher than the four other European cities in St Bride's World Cities Index.

In our opinion, over the next twelve months, yields for Grade A London offices will probably harden further, and the spread with its fellow European cities will narrow.

## Prime European Office Yields (%)



\*London City Office yields are currently 4.00%.

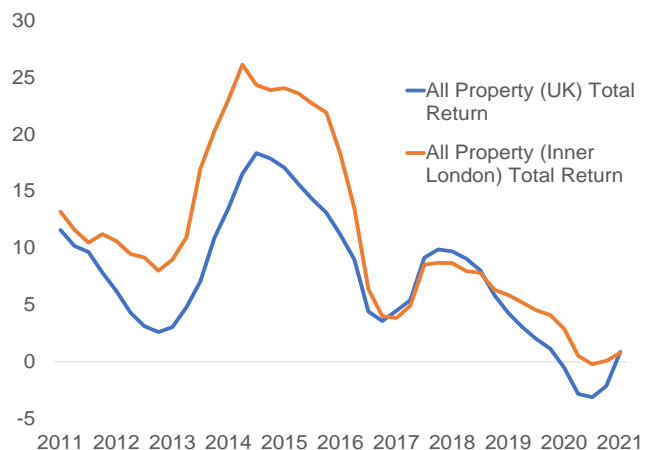
Source: CBRE

## 10. Ungearing total returns from London properties have consistently outperformed the rest of the UK market.

London's ten-year total return performance (to March 2021) across each of the three main sectors, has exceeded the MSCI All Property Index (6.90% pa). Industrials performed best (14.60% pa), followed by offices (9.40% pa) and then retail (7.00% pa).

Whilst there will inevitably be a period of re-adjustment following the pandemic, over the longer term we expect London to continue to outperform.

## London vs Rest of UK Total Return Performance % (Last 10 years)



Source: MSCI



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