

The Universe of City Indices 2018

World Cities: Mapping the Pathways to Success

JLL and The Business of Cities



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Foreword

The steady flow of cities that are entering the higher rankings of competitiveness for growth, liveability, smartness, resilience and skills, together with an expanding array of measures of business readiness, is adding new dimensions to strategic choices in real estate.

For both investors and corporates, assessing comparative opportunities between gateway and second-tier cities, between developed and growth cities or between those with short-term versus longer-term potential, has matured into what is now known as the 'science of cities'.

This new urban science may remain anchored by a set of variables common to the analysis of business potential, but as we noted in our last report – 'Decoding City Performance' (September 2017) – the emergence of over 300 indices of city competitiveness is itself a clear indicator of the growing complexity of the pathways to success.

It is the nuances of different city strategies and their likely impact on real estate which is intriguing for investment and locational futures, although it is the ability to embrace and leverage technology that is fast becoming a key measure of the standing of any city.

Despite the rate of change, almost all cities share the enduring challenges of housing affordability, infrastructure deficits and environmental impacts, and progress in coping with these needs is firmly in evidence in the indices and are a constant reminder of the risks to any city future.

To help map the current performance of cities we have delved deeper into the wide-ranging measures which the indices cover and, to give a future view, we have supplemented these with our extensive knowledge of cities and their property markets.

The result is a set of clusters which describe the main personality of cities, and the opportunities and obstacles ahead as they move towards a new decade.



Christian Ulbrich

Chief Executive Officer, JLL

Executive Summary

In today's highly connected globalised world, cities are more likely than ever to share roles and aspirations with a small group of similar cities, often scattered across the globe.

JLL and The Business of Cities have identified 10 such city groups that each have common paths, challenges and imperatives. As locational choices multiply for investors and corporates, it makes greater sense to assess relative economic prospects and real estate market dynamics through the lens of these city groups.

Established World Cities



1. The 'Big Seven': Accounting for nearly one-quarter of all capital invested in commercial real estate globally, this elite group holds the depth, liquidity and unique soft power to remain the default destinations for cross-border investors and corporates.

2. The 'Contenders': This group of 10 'Contender' cities have acquired many, but not yet all, of the attributes of the 'Big Seven'. They are competing successfully for global talent, capital and businesses. Collectively they have registered the fastest growth of any city group in real estate investment over the past cycle.

New World Cities



3. The 'Innovators': These cities stand out because they have world-class capabilities in science and technology and business climates that foster innovation and entrepreneurship. They attract among the greatest volumes of real estate investment relative to their economic size.

4. The 'Lifestyle Cities': Cities which possess a high quality of life and international appeal that has become their strongest brand asset, 'Lifestyle' cities have experienced some of the highest uplifts in rental values during the last couple of cycles.

5. The 'Influencers': These are centres of global and regional influence, and their role is linked to hosting transnational institutions and trading functions. They have typically provided some of the most stable real estate markets globally.

Emerging World Cities



6. The 'Megahubs': These exceptionally large cities in emerging economies have become impressive centres of business services and retail. However, they are failing to punch their weight as real estate investment destinations and need to work on improving real estate transparency.

7. The 'Enterprisers': These cities in emerging economies are moving rapidly towards a high productivity, high innovation system. They have been among the world's most dynamic real estate markets in the last cycle.

8. The 'Powerhouses': This group of mainly Chinese cities are transitioning from low-value industrial economies to find a higher position in the value chain, and are benefitting from strong national government support.

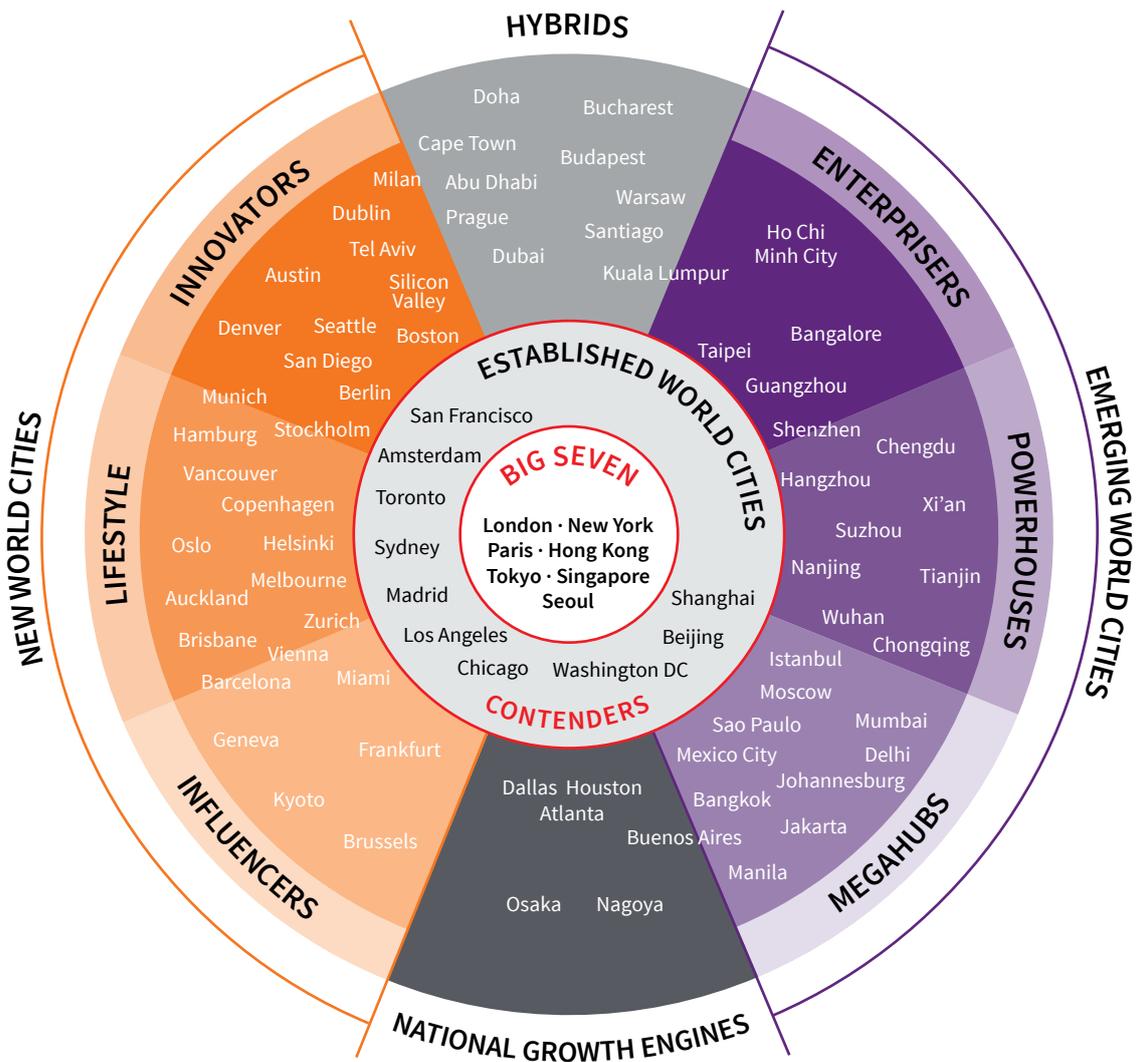
Hybrids and Growth Engines



9. The ‘Hybrids’: These cities have attributes of both ‘Emerging’ and ‘New World’ cities. They are typically mid-sized and compete in specialised markets. They have made good progress in improving real estate transparency and have witnessed a transformation in their commercial real estate inventory in recent cycles.

10. The ‘National Growth Engines’: These cities are found in stable, developed national economies that profit from access to large domestic markets. The positions they occupy in their national economies will ensure their durability over the medium term. They feature among the world’s top real estate investment destinations.

JLL Typology of World Cities



Note: The cities highlighted are for illustrative purposes. This stylised chart is not intended to be an exhaustive list of all cities and candidate cities within each group.

A New Typology of Cities

Understanding the drivers behind success in global property markets is becoming ever more complex. Investors and businesses are having to look well beyond the standard performance metrics to embrace a far more extensive range of factors that are now shaping our cities and real estate markets. A city's speed of change and adaptability, the nuances of its metropolitan leadership, its resilience strategy and its capacity to deliver bold transformational projects are among the factors to consider when assessing the long-term potential of a city and its real estate.

It no longer makes sense to see all cities as being in competition with each other. Cities operate in a context where they share similar styles of assets and advantages with a small peer group of other cities, most of which are outside their own national urban system. Each group of cities has a parallel set of priorities in terms of the talent they seek to attract (and retain), the business ecosystem requirements they nurture, the type of sectors or specialisation they pursue, and the style of real estate that is required to support their urban agendas.

In 2015, JLL and The Business of Cities pioneered a new way to classify cities¹ by defining three broad groups:

- **'Established World Cities'** refer to the most globalised and competitive metropolitan economies with the deepest concentrations of firms, capital and talent.
- **'New World Cities'** are the medium-sized, well-managed cities that offer the infrastructure, high quality of life and niche specialisations to compete for mobile talent and economic activity in the sectors accelerated by new technologies.
- **'Emerging World Cities'** are those business and political capitals of larger emerging economies which are experiencing rapid growth as they serve both expanding domestic demand and consumption, and which also act as gateways for international trade and capital.

The terms 'Established World Cities', 'New World Cities' and 'Emerging World Cities' have gained currency as a means to understand the different ways cities are evolving in the new cycle of globalisation, demographic change and technological advancement.

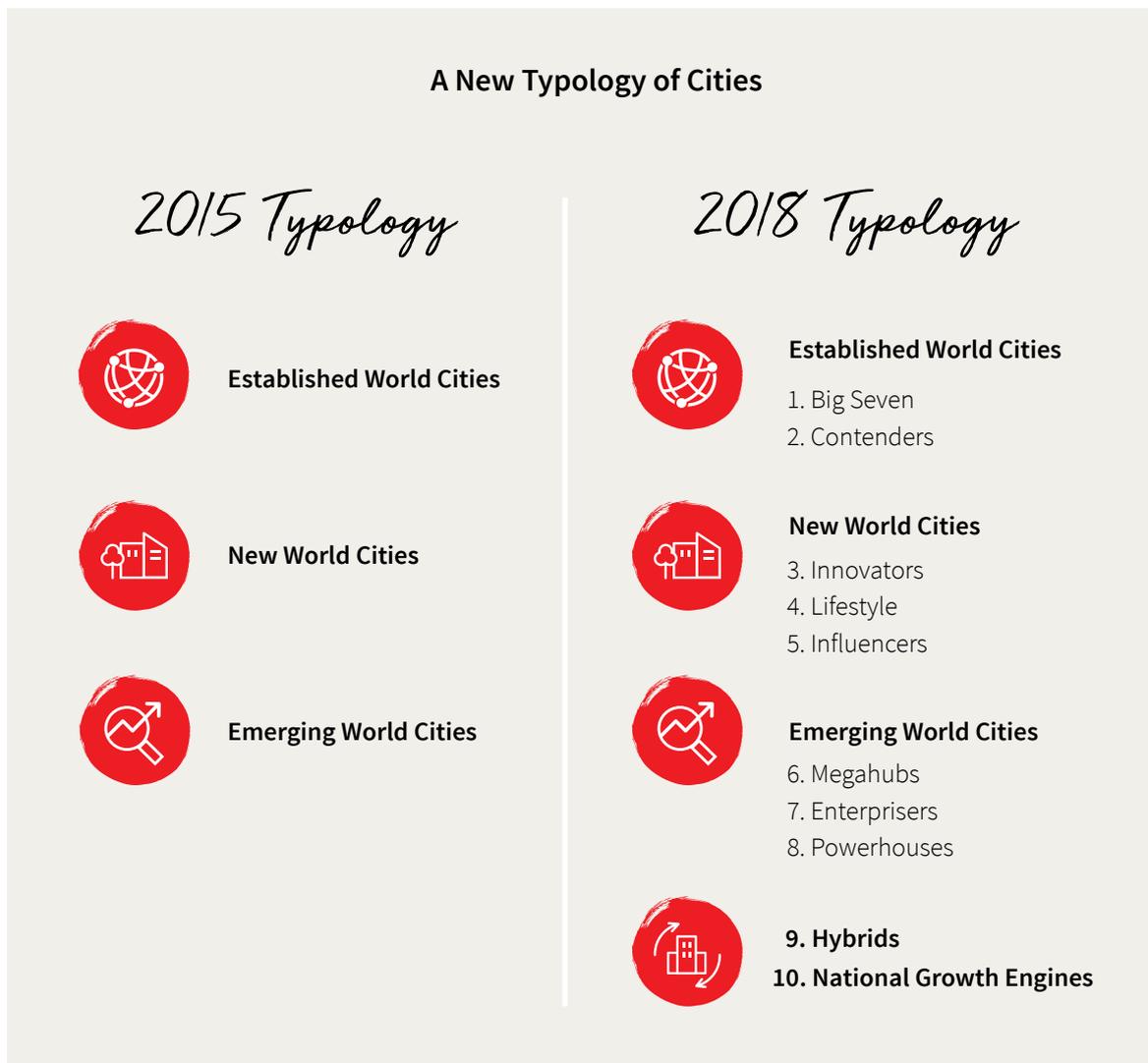
We now go a step further, drawing on a much wider set of indicators - as well as our first-hand contact with many city leadership teams and in-depth analysis of city strategies - to develop a more detailed 'map' of the evolving global system of cities.

¹ Globalisation and Competition: The New World of Cities, JLL and The Business of Cities, November 2015

Identifying 10 City Types

Based on the original three broad groupings of cities – ‘Established World Cities’, ‘New World Cities’ and ‘Emerging World Cities’ - we have identified 10 types of city that make up the evolving global system. This new typology is built around the distinctive roles that different cities play in the global economy; the sorts of traded business activity and economic, cultural and institutional functions they host; and the strategic direction they are taking to achieve longer-run competitiveness.

The purpose of this typology is not to rigidly define what cities might do, or determine what they might become, but rather to show some similarities between cities in different countries and to observe common paths, challenges and imperatives, and the opportunities each group presents for real estate investors, developers and businesses.



A Dynamic System of Cities

This typology represents a snapshot in time and is not meant to be interpreted as static. The approach allows us to plot a city's evolution and evaluate its direction of travel.

There are two ways in which the system is dynamic:

- **All cities are in some process of movement and evolution between one type and another type.** There can be many drivers of this evolution: the introduction of new infrastructure, the achievement of new scale and reach, the changing sector mix, and even changes to national policy (e.g. immigration, investment, geopolitics). These can all change cities' competitive horizons and provide new opportunities and challenges for the real estate industry.
- **The dynamics of the overall system are constantly evolving.** The impact of new technologies, connectivity, discovery, environmental change and political shifts can bring into being new types of competitive city and new success models for cities that are already competitive.

By no means are all cities striving for the same path to success. Instead, cities are finding many different routes to success, creating value along the way that offers an attractive mix of risk and return profiles for investors.



About this Typology

JLL and The Business of Cities draw on their unique combination of city clients, data and insights to develop this cities typology. The typology is informed by:

- Over 300 global indices and benchmarks that assess the relative performance of cities across the full range of indicators: finance and business activity, investment profile, demographic diversity, innovation, infrastructure, global reach, quality of life, culture, governance and institutional framework.
- Core analysis of city size, GDP per capita, growth rates, industrial structure, and position within the national and continental 'system' of cities.
- In-depth experience in working with hundreds of city governments and leadership teams in the development of city and metropolitan strategies.

The indices and comparative empirical analysis underpin the typology and allow us to observe cities with a similar set of assets and attributes, such as:

- Cities that consistently perform in the top 20% for innovation and technology measures, and those that excel for quality of life and sustainability.
- Cities that regularly do well in terms of domestic connectivity and size of labour market, but are less active or visible in terms of global trade, reach and influence measures.

Our assessment of such clusters or 'peer groups' of cities is then informed and refined by wider comparative observations about how these cities adapt, plan and reform in order to compete to attract companies, capital and talent.



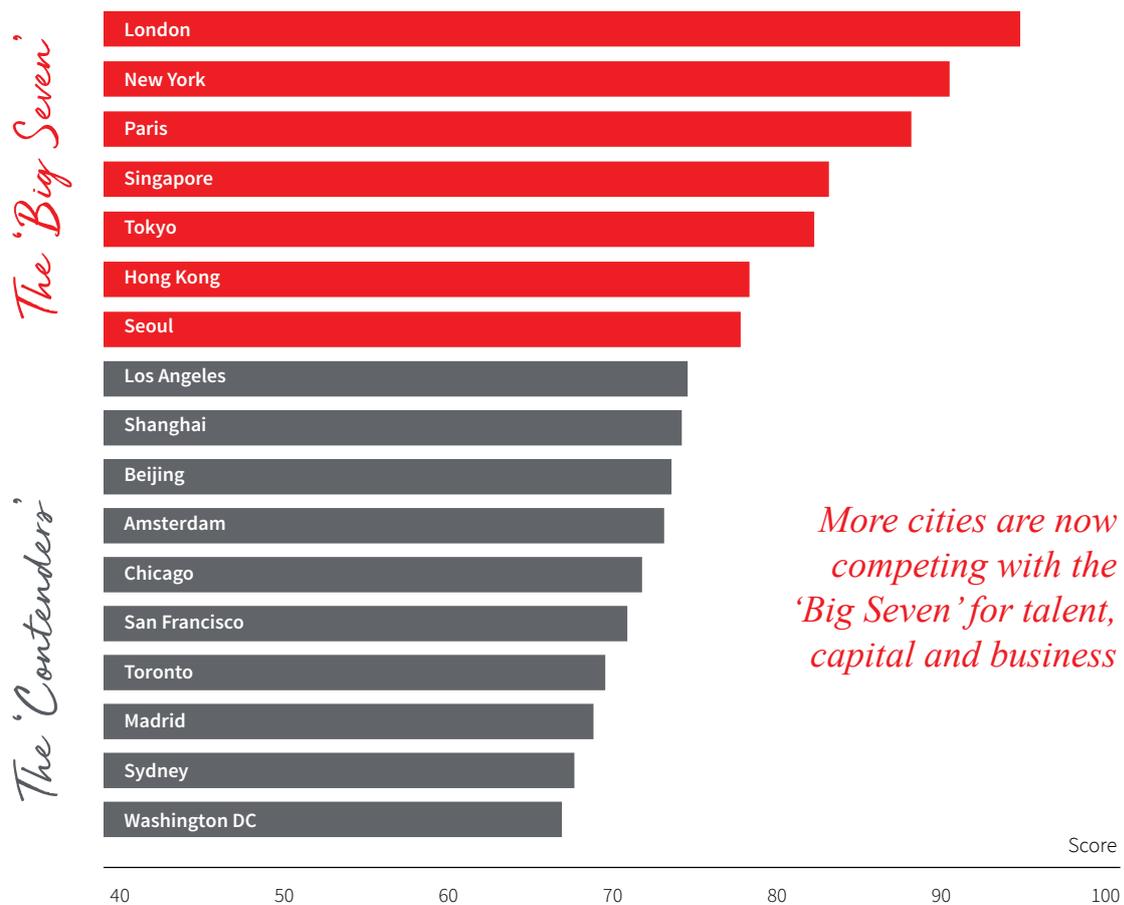


Established World Cities

'Established World Cities' stand out due to their impressive record of global engagement and reach. They have the deepest concentrations of traded activities, firms, capital, talent and institutions:

- The '**Big Seven**' have been remarkably successful in attracting real estate capital from sovereign wealth funds, pension funds, financial institutions and high-net-worth individuals.
- While this top group retains its competitive and investment advantages, a chasing pack of city '**Contenders**' have been closing the gap, and are effectively competing for international capital, talent and businesses.²

The Order of Established World Cities



Scored from 44 indices selected on the basis of range, robustness and currency. Cities ranked by percentile performance in each index. Equal weighting between each of seven categories (corporate presence, gateway functions, market size, infrastructure platform, talent, specialisation and innovation, and soft power).

Source: The Business of Cities, JLL, 2017

² These groups were first identified in 'Decoding City Performance', The Universe of City Indices 2017, JLL and The Business of Cities, September 2017

The 'Big Seven'

London · New York · Paris · Singapore ·
Tokyo · Hong Kong · Seoul

The 'Big Seven' uniquely combine scale, global reach, quality and influence. This makes them the default locations for cross-border investors and corporates, highly desirable for national and international talent, and attractive for purposes of trade, conventions, education and tourism. But these cities are experiencing most sharply the challenges of growth management and are among those highly affected by external geopolitical uncertainties.

This elite group of 'Established World Cities' will continue to capture a large share of global real estate investment as they hold the depth, liquidity and unique soft power and influence to maintain conditions in their favour. Nevertheless, various growth hurdles, affordability issues and geopolitical worries are leading investors, firms, entrepreneurs and talent to recognise the comparative appeal and advantages of a wider group of cities, such as the 'Contenders' and the 'Innovators'.

Real Estate Highlights



- One-quarter of all capital invested in commercial real estate globally currently finds a home in one of the 'Big Seven'
- The 'Big Seven' have registered the strongest growth in prime office rents since 2000, but they are also among the most cyclical markets
- London and New York lead this group by a significant margin, accounting for 13% of global real estate investment
- Tokyo and Paris are renewing their offer with ambitious infrastructure programmes and a once-in-a-generation catalyst of the Summer Olympics
- Hong Kong and Singapore will shape the next generation of high-density urbanism, but are facing intense competition from dynamic Asian peers
- Seoul has stepped up to join the top group for the first time due to its superior digital connectivity and innovative global firms, and it is working hard to improve real estate transparency

The ‘Contenders’

Los Angeles · Shanghai · Beijing · Amsterdam ·
Chicago · San Francisco · Toronto · Madrid ·
Sydney · Washington DC

In the last couple of years, global performance benchmarks have shone light on a second tier of leading ‘Contenders’ that have separated themselves from the rest and possess the assets and aspirations to join the established global elite.

This group of 10 cities have emerged as ‘Contenders’ because they have acquired many or most of the assets of the top cities: the gateway connectivity to their national and continental economies, the effective metropolitan scale and market size, the trust of global capital, the talent pool and the multiple clustered specialisations.

Since these cities have become ‘Contenders’ by taking different paths, the attributes they require to challenge and enter the top tier are also different:

- For those that have graduated from ‘New World City’ status, like Toronto, San Francisco, Sydney and Amsterdam, the challenge is to address housing and infrastructure deficits, and to achieve better borrowed scale through improved regional connectivity.
- For the fast-improving cities promoted from emerging economies, namely Shanghai and Beijing, the challenges are to accelerate environmental improvements and make further progress on market transparency.
- For the U.S. gateway cities – Los Angeles, Chicago and Washington DC – the imperative is to update their infrastructure platforms.

Real Estate Highlights



- The ‘Contenders’ have collectively recorded the fastest growth in real estate investment over the past decade
- They have also registered among the largest office rental growth since 2000, second only to the ‘Big Seven’
- Shanghai is the most dynamic city in this group. Investment volumes have increased tenfold since 2006, and over 2016-2020 its office stock will have virtually doubled in size
- Los Angeles is closest to joining the ‘Big Seven’, emerging as the second most active investment market globally in 2017
- Amsterdam is leveraging its position within the ‘Holland Metropole’. Investment volumes have increased threefold over the past year and occupier take-up is growing at the fastest pace in Europe



New World Cities

In 2015 we highlighted the rise of smaller, more specialised but highly globally-oriented cities. **‘New World Cities’** are high-income cities with efficient infrastructure, attractive quality of life and fewer social, environmental and economic externalities, such as crime, pollution, congestion and inequality.

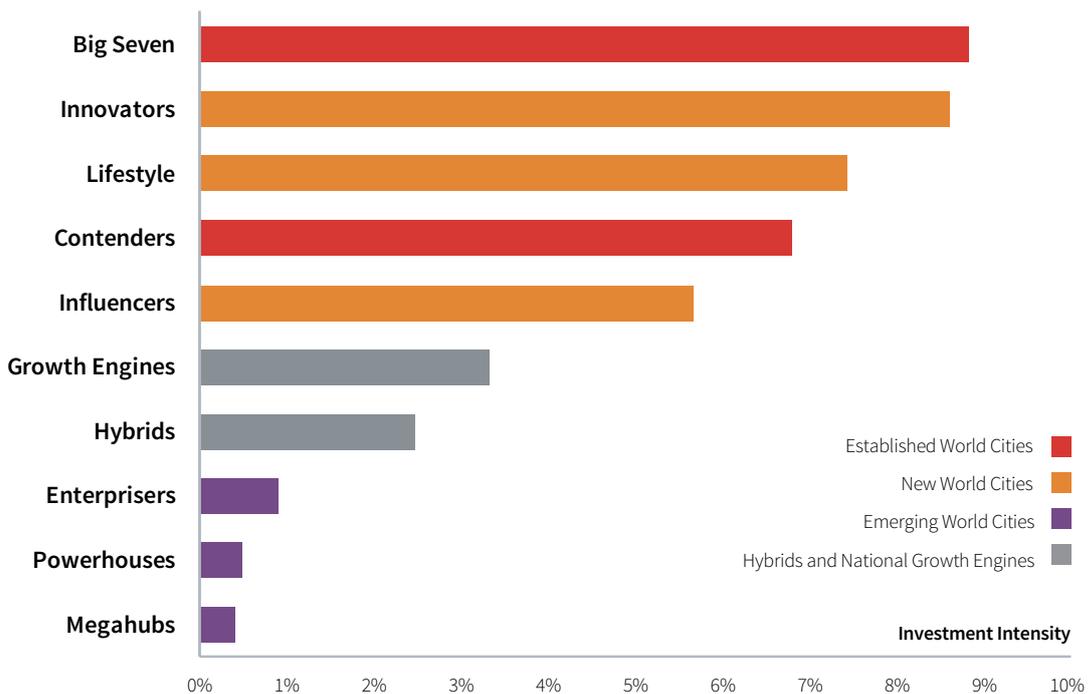
‘New World Cities’ tend to be more agile than the larger ‘Established World Cities’, and they are punching well above their weight as destinations for real estate capital, businesses and talent.

The drivers of their success are broad ranging, and we have identified three types of ‘New World City’:

- The **‘Innovators’**: Many ‘New World Cities’ possess high tech, innovation and research capabilities that make them important cities in the high-value economies.
- The **‘Lifestyle’** Cities: These cities derive their comparative advantage from being highly liveable centres, with their quality of life and appeal becoming their strongest brand asset. A high standard of public services and high degree of inclusion are also key features.
- The **‘Influencers’**: This group of strategically located cities are centres of transnational decision-making or are globally recognised cultural or tourism hubs.

‘New World Cities’ groups attract a disproportionate share of global investment

Real Estate Investment Intensity by City Type



Source: JLL, The Business of Cities, January 2018

The ‘Innovators’

Austin · Berlin · Boston · Denver · Dublin · Milan ·
Munich · San Diego · Seattle · Silicon Valley ·
Stockholm · Tel Aviv

This group of high innovation ‘New World Cities’ stand out because they have world-class capabilities in one or more science and technology sectors, and business climates that have been customised to serve their innovative edges.

The ‘Innovators’ usually have a cadre of globally leading firms or institutions that are at the forefront of a strong ecosystem for innovation. These cities not only score well on Foreign Direct Investment – they also benefit from a mature and productive system of local firms that specialise in new technologies.

So far, many of these cities have had only partial success in supplementing their innovative edges with a widely appealing lifestyle and a diverse cosmopolitan culture. Nonetheless, their performance in terms of quality of life and amenities is usually robust enough to attract talent to work in their wealth-creating industries.

Many of these cities have capacity issues that prevent them from easily adding the housing, infrastructure and urban lifestyle which would make them a more all-round player.

Real Estate Highlights



- After the ‘Big Seven’, the ‘Innovators’ have the highest real estate investment intensity of any group, i.e. they attract among the greatest volume of real estate investment relative to their economic size
- Boston is the top real estate investment destination among the ‘Innovators’, yet Seattle is catching up fast as a favoured location for capital
- Berlin is best positioned to join the ‘Contenders’ group. It has emerged as a hotbed for cross-border investment, behind only London and New York in 2017
- Affordability is a rising concern among the ‘Innovators’. Stockholm, for example, has seen office rents virtually double since 2009

The 'Lifestyle' Cities

Auckland · Brisbane · Copenhagen · Hamburg · Helsinki · Melbourne · Oslo · Vancouver · Zurich

There is a small group of high liveability 'New World Cities' which possess a quality of life and appeal that has become their strongest brand asset. For these cities, their compact medium-density urban living and exceptional standard of public space and services have gained a global resonance that drives growth in their key export markets – higher education, creative industries, tourism and science.

One asset these cities share is stable public governance, which successively invests in a high-amenity urban platform which is very conducive to interaction and collaboration. This makes these cities especially attractive to niche knowledge and technology sectors, in addition to environmental, design and medical expertise.

The high quality of life model this group of cities enjoy is linked to either a historic built environment or to an outstanding natural environment. The inherent advantages are also limitations, as these cities can face challenges bringing forward large sites for development.

Real Estate Highlights



- The 'Lifestyle' cities have registered the largest rental growth for prime offices (since 2000) among the 'New World Cities' groups, led by Auckland, Helsinki and Vancouver
- Melbourne is the group's most active real estate investment market and is consistently among the world's top 30 investment destinations
- This group tend to have high real estate investment intensity. Oslo tops JLL's Investment Intensity Index global ranking
- 'Lifestyle' cities will need to focus on urban infill and regeneration at scale that will enhance rather than diminish their reputation for liveability

The ‘Influencers’

Barcelona · Brussels · Frankfurt · Geneva · Kyoto · Miami · Vienna

For a small group of ‘New World Cities’ that are centres of institutions and influence, their global roles are closely linked to the hosting of transnational institutions, tourism or trading functions. These cities have permanent roles or are default locations for facilitating intergovernmental, legal or trade-related decisions. This means these cities host clusters in the diplomatic, security, media and higher education sectors and other adjacent industries.

This group of cities have inherited their global roles and identities through happy accidents of politics and geography. Their growth dilemmas often revolve around whether or not to diversify and leverage their inherited status to achieve a position in other niche activities.

The permanent institutions of these cities often have a strong influence over these cities’ growth choices, making demands that prevent the city from easily combining with other tourism or entry-level business functions. The next cycle for these cities will be about adding new competitive edges and increasing the visibility of their contribution to international stability and prosperity.

Real Estate Highlights



- The ‘Influencers’ are home to some of the most stable real estate markets, registering the lowest volatility in office rents since 2000 of any of the 10 city groups
- This group has been less successful than the ‘Innovators’ and ‘Lifestyle’ cities in attracting real estate investors
- ‘Influencers’ need to set the gold standard for real estate transparency to match their reputation for strong governance and institutions
- Frankfurt leads the group for real estate investment. In a sign of its strength, its office market recorded double-digit capital value growth in 2017

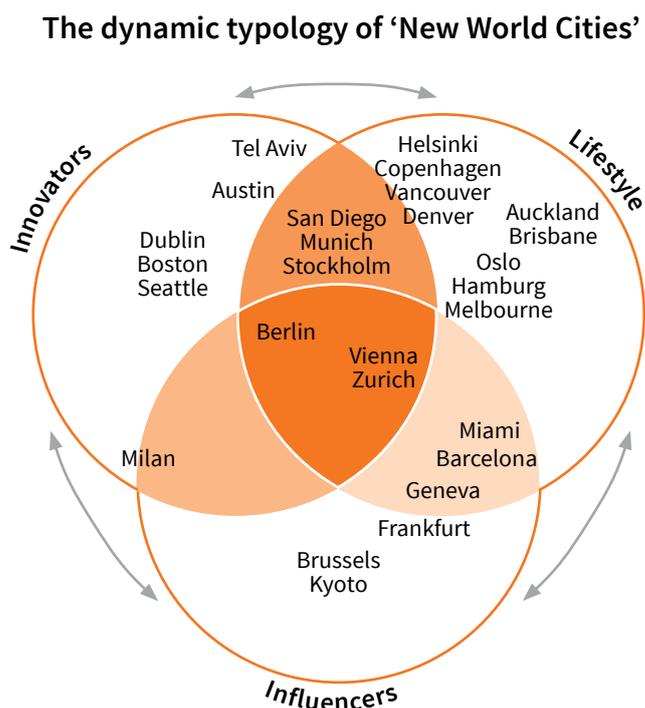
The Dynamism of ‘New World Cities’

Cities are constantly moving and evolving over time as new drivers come to the fore and competitive positions change. This is true for ‘New World Cities’, where there is a strong element of fluidity between the three groups - ‘Innovators’, ‘Lifestyle’ and ‘Influencers’.

None of these city groups are mutually exclusive, and cities often have characteristics of multiple categories. In particular, the high quality of life of ‘Lifestyle’ cities is often linked to the innovation and institutional offer of these cities, thanks to their wealth, relative stability and appeal to top-end talent.

For example:

- **Vienna** has the attributes of all three ‘New World Cities’ types. The city is often ranked as the top city globally for quality of life, but is also home to a number of United Nations institutions and an attractive location for research.
- **Barcelona** is an ‘Influencer’ through its position as a cultural hub, which projects its strong global brand and values outwards. Equally, it is also recognised for its exceptional lifestyle and is building its status as a ‘smart city’ and ‘innovation hub’.
- **Stockholm** balances its position as an ‘Innovator’ and a ‘Lifestyle’ city. It shares the strong public services and infrastructure platform of its Northern European peers, but has also developed a reputation for developing and nurturing high-value tech start-ups.





Emerging World Cities

Alongside the rise of ‘New World Cities’ we have also observed the rapid development of **‘Emerging World Cities’**. These larger cities in emerging national economies are experiencing high domestic consumer demand and business creation, while also establishing themselves as destinations for international trade and capital.

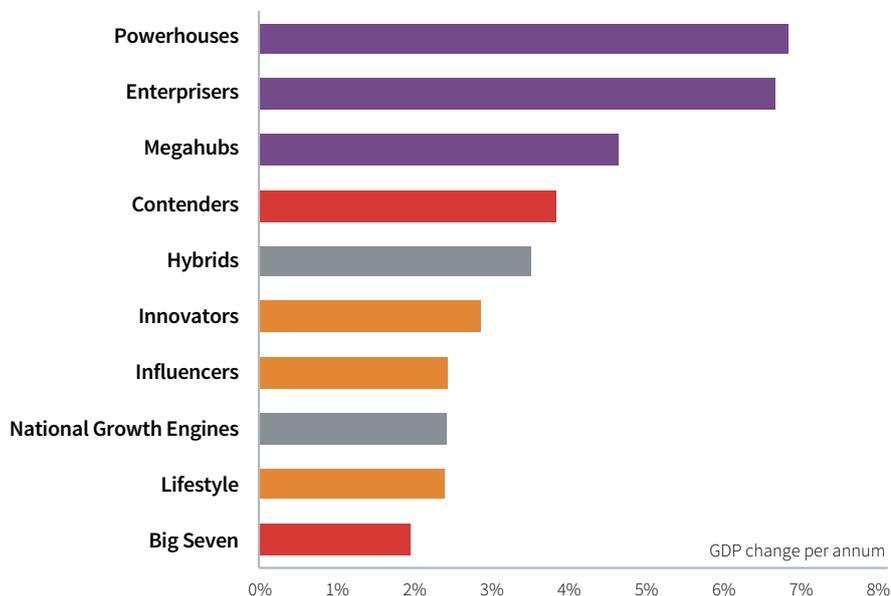
City indices increasingly highlight the success of these cities in terms of infrastructure development, labour force and business environment, often thanks to very active support from higher tiers of government. This progress, in turn, raises investment appeal and the appetite for new real estate development. It is now common for these ‘Emerging World Cities’ to substantially outperform the rest of their nation across a range of outcomes.

As more and more cities in emerging economies become globalised, so their distinctive paths become clearer. These paths depend on their position in the national system of cities, their inherited economic and cultural DNA, and the stances towards globalisation taken by their nation state.

- **‘Megahubs’** are the major gateways and decision-making centres that specialise in business and financial services, and also have the profile and scale to compete for visitors, events, conventions and innovation functions.
- **‘Enterprisers’** are the slightly smaller cities that have become centres of commerce, media and entrepreneurship, and are global leaders in technology and advanced manufacturing.
- **‘Powerhouses’** are firmly integrated into global manufacturing and production value chains, and their growth is heavily indexed to global economic, technology and commodity cycles.

‘Powerhouses’ and ‘Enterprisers’ drive ahead

GDP Change, 2017-2018



The ‘Megahubs’

Bangkok · Delhi · Istanbul · Jakarta · Johannesburg ·
Manila · Mexico City · Moscow · Mumbai · Sao Paulo

These exceptionally large cities in emerging economies have evolved substantially in the past decade. They have become capable centres of finance, business services, real estate, corporate headquarters and retail, and have made rapid progress in higher education, science and healthcare. They now serve a much larger and, in many cases, buoyant domestic market and act as the junction box for the internationalisation of the national economy.

For these cities of such vast scale, a competitive challenge will be to continue to raise incomes and opportunities for their emerging middle class and to deliver significant improvements to quality of life. The reduction of the informal economy, tackling unsustainable patterns of sprawl and the retrofitting of resilient infrastructure are important for these cities to maintain their strong growth profile. Although their globalised functions will drive much of the real estate demand, a more robust local enterprise system is a key element for the future supply of jobs that underpin their economies.

Many of these cities gain from higher-tier government support and are pursuing a multi-CBD approach to organise and distribute their new range of functions across a mix of locations.

Real Estate Highlights



- ‘Megahubs’ attract high levels of corporate demand, but they are failing to match this with strong real estate investor activity
- They have the lowest real estate investment intensity of the 10 city groups, reflecting the combined challenges of vast scale and weaker transparency
- Most ‘Megahubs’ fall in the semi-transparent category. While transparency is advancing, progress is still patchy and, until significant improvement is made, investors will continue to gravitate towards ‘Established’ and ‘New World’ Cities

The ‘Enterprisers’

Bangalore · Guangzhou · Ho Chi Minh City · Kuala Lumpur · Shenzhen · Taipei

This group of business and enterprise hubs are major places of opportunity and magnets to workers from their nation and the wider region. Usually specialised in services more than manufacturing, they are among the largest cities in their national economy and have exploited their business climate advantages in recent years. They now host large clusters of business services, engineering, finance and retail firms, and they have strengths in creative industries. They have typically enjoyed a long upswing in economic performance and have substantially reduced poverty and income inequality.

Their current economic priorities tend to revolve around how to shift towards a high productivity, high innovation system. This relies firstly on further improving technical and higher education to increase the number of job-ready graduates. Secondly, there is often a sub-optimal use of land in the central areas of these cities and few clearly established business districts, which reduces agglomeration potential.

Identity and authenticity is an important task for these cities. Their business brand is usually stronger than the visitor or cultural brand, and they do not possess the size or scale to make them automatic destinations. How these cities manufacture some authentic DNA through arts, culture, heritage and waterfront development is a key area of focus. Many are now seeking to build international profile.

Real Estate Highlights



- The ‘Enterprisers’ have among the world’s most dynamic real estate markets and have had more success than other ‘Emerging World Cities’ groups in attracting real estate investors
- Bangalore topped JLL’s 2017 City Momentum Index³, with one of the world’s highest absorption rates of commercial office space
- Shenzhen’s status as a top technology and finance centre is supporting robust office demand, with net absorption volumes rising sixfold over the last 10 years

³ City Momentum Index 2017: Which cities are changing fastest? JLL, January 2017

The ‘Powerhouses’

Chengdu · Chongqing · Hangzhou · Nanjing ·
Suzhou · Tianjin · Wuhan · Xi’an

The rapid pace of change in technology, communications and connectivity means that there are now more cities than ever making the shift from a low-value industrial economy to find a higher position in the value chain. For many of them, traditional manufacturing has begun to relocate in search of cheaper labour, and it is gradually being replaced by other more capital-intensive and design-oriented jobs.

This group of cities benefit from strong national government support; however, they now operate in an environment where national policy is less prescriptive and where the imperative to be competitive - not only on price, but also in terms of agglomeration - becomes urgent.

Managing the process of transition is vital in this group of cities and requires a broader base of leadership than was necessary in the industrialisation phase. The leadership role played by large anchor firms becomes very important in this process.

A managed approach to change also makes it important to avoid excessive competition and duplication among other nearby local governments, and to ensure that the reputation for environmental pollution is dispelled.

Real Estate Highlights



- Several ‘Powerhouses’ featured near the top of JLL’s 2017 City Momentum Index for short-term growth, including Hangzhou, Nanjing, Xi’an, Wuhan, Chongqing and Chengdu
- As a group they have registered the strongest office rental growth of the ‘Emerging World Cities’ groups
- Look out for our latest research on China’s cities and their real estate markets, to be launched in Spring 2018

Hybrids & Growth Engines



The 'Hybrids'

Abu Dhabi · Bucharest · Budapest · Cape Town ·
Doha · Dubai · Prague · Santiago · Warsaw

In the current cycle where there are now many more global cities, most of the newcomer world cities have clear attributes of either 'Emerging World Cities' or 'New World Cities'. There is, however, a group of 'Hybrids' that have attributes of both types, best epitomised by Dubai. Like 'New World Cities', they are medium-sized, compete in specialised markets and have a superior liveability equation compared to their national and regional peers. On the other hand, the overall profile of their labour force and their appeal to other customers may more closely resemble 'Emerging World Cities'.

Hybrid cities can be found in many parts of the world:

- Middle Eastern cities such as Dubai, Doha and Abu Dhabi possess the very high-quality infrastructure platforms and higher-value visitor economy of 'New World Cities', but with challenges around openness, inclusion, the environment and transparency.
- In Central Europe, a number of cities have obtained a new competitive position in global value chains. Cities like Prague and Warsaw are gaining the attributes to become a type of 'New World City'.
- In Latin America, a new cadre of medium-sized cities are acquiring the distinct identity and ingredients for liveability, public space and sustainable urbanism, but with residual issues of crime, insecurity and diversification. They are building the corporate base and capability to become 'Enterprisers'.

Real Estate Highlights



- Most 'Hybrids' saw high levels of foreign investor activity during the last cycle. Dubai is among the world's top destinations for FDI, while Warsaw leads on cross-border commercial real estate investment
- They have been making good progress in improving real estate transparency. Warsaw is on the cusp of the 'Highly Transparent' category, while Dubai has put in place several initiatives to improve transparency
- 'Hybrids' in the Middle East, Central Europe and Latin America witnessed a significant real estate supply response during the last cycle. As a result, they have been among the weakest rental performers despite robust corporate demand

The ‘National Growth Engines’

Atlanta · Dallas · Houston · Nagoya · Osaka

‘National Growth Engines’ are cities in stable, developed national economies that profit from access to a large domestic market and enjoy consistent demand with relatively few natural competitors. The competitive model for these cities is usually based around services and supply functions. Their firms serve a large wealthy and dependable market in their regional catchment, and/or they supply a steady flow of commodities or goods to an international market. As a result, these cities have relatively high rates of employment and have not had a strong imperative to internationalise their talent pool.

For these reasons, ‘National Growth Engines’, especially in the United States, have a high degree of confidence and even a certain ‘safe haven’ status among real estate investors. The niches they occupy, as regional capitals of commerce or exporters of in-demand products will secure their durability over the medium term.

The long-term competitiveness of this group of cities heavily depends on the performance of their mature firms, and their capacity to innovate. This group of cities have to compete on efficiency, if not on attractiveness, through improved logistics and transport infrastructure. However, this requires much stronger metropolitan co-ordination to pool assets and capital, and to prevent wasteful local government competition.

The smaller ‘Growth Engines’ that are able to shift to a new model geared around urban quality, enterprise and tradeable sectors will gradually move towards a type of ‘New World City’.

Real Estate Highlights



- Dallas, Houston and Atlanta regularly feature among the world’s top investment destinations by offering a favourable blend of liquidity, transparency and market depth. They are dominated by domestic investors
- The affordability of some of the smaller U.S. ‘Growth Engines’, such as Nashville, Salt Lake City and Columbus (Ohio), has made them an attractive option for corporate occupiers, feeding through in some instances to record demand for office space



The Future of World Cities

The global system of cities is constantly in flux, with new drivers frequently emerging to reshape the competitive landscape. The typology laid out in this report provides an important snapshot of the current system, but is open to significant disruption over the next decade and beyond.

New urban forms, types of governance and pathways to economic success will emerge, while adaptation to the wave of technological advances could be an important differentiator. Environmental protection, growth management and good governance will also be key elements to individual cities' future pathways.

As outlined in the 'Benchmarking the Future World of Cities' series produced in conjunction with The Business of Cities, the future changes across global cities will deeply influence real estate investors and corporate occupiers alike.

At JLL's Cities Research Center we will continue to monitor these changes closely and deliver our insights as to how they will impact real estate markets across the globe.

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