



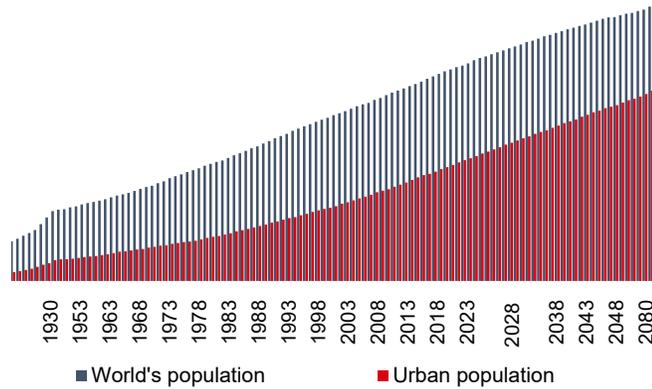
# **Eurocities Summit**

## **The Future of European Cities**

Prof Greg Clark CBE, November 2020

# The Century of the City

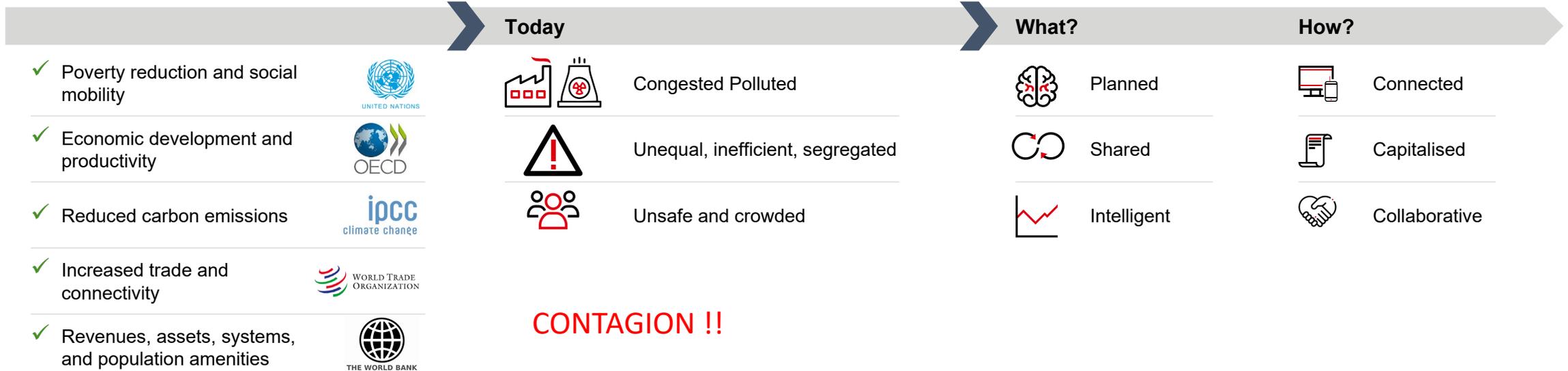
## The Curve of Urbanisation



## Risk of Bad Urbanisation

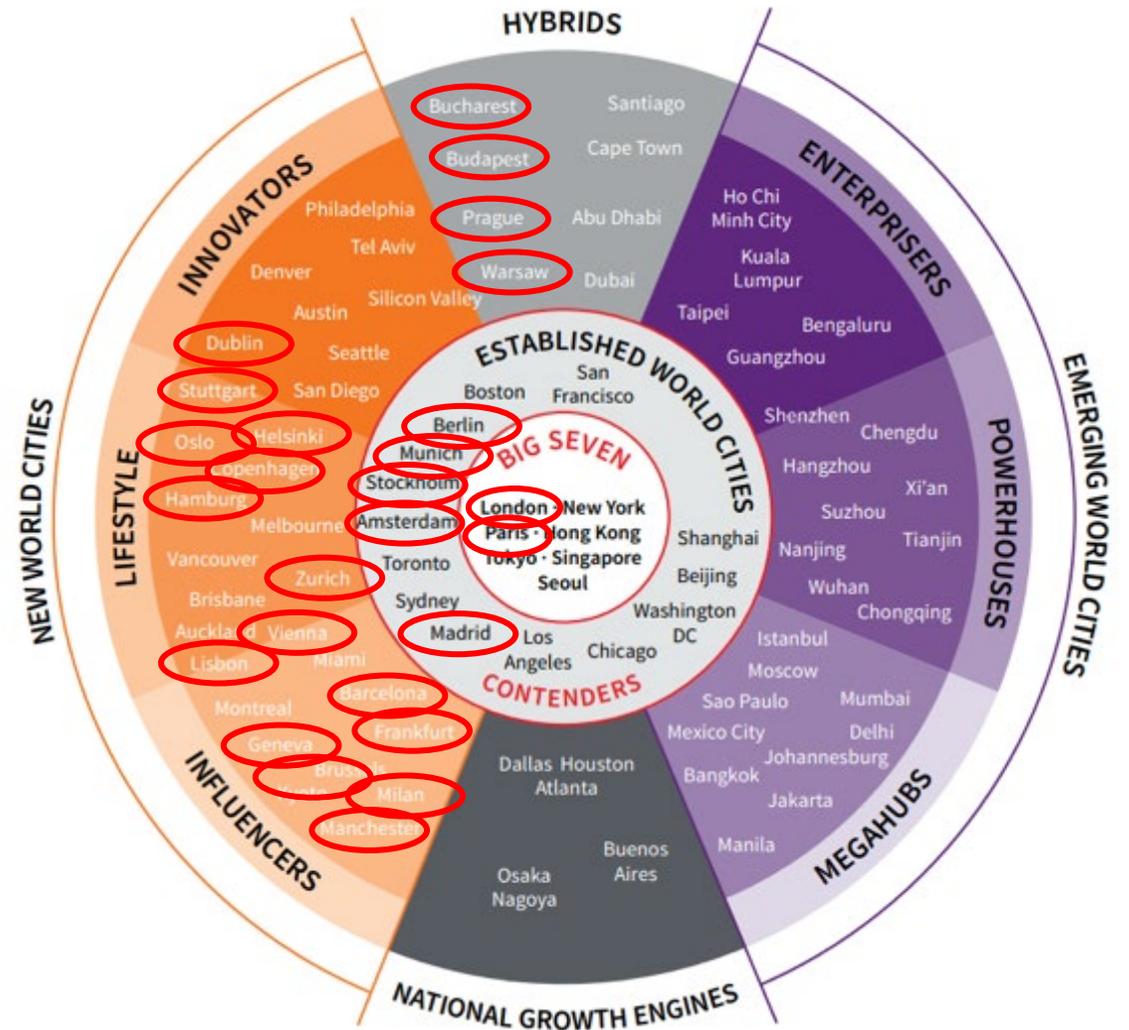


## Promise of Good Urbanisation



# Europe Cities in the Global System

- This chart represents the world's 90+ most globalised cities with the:
  - Fastest growing populations
  - Most improving GDP/capita
  - World's leading industries
  - Decision-making centres
- They are grouped into Emerging, Established or New World Cities
- Each group shares success factors but metropolitan infrastructure plays a different role in each city



# COVID19: Agent of Change

- Phase 1 Pandemic
- Phase 2 Recovery
- Phase 3 Reset



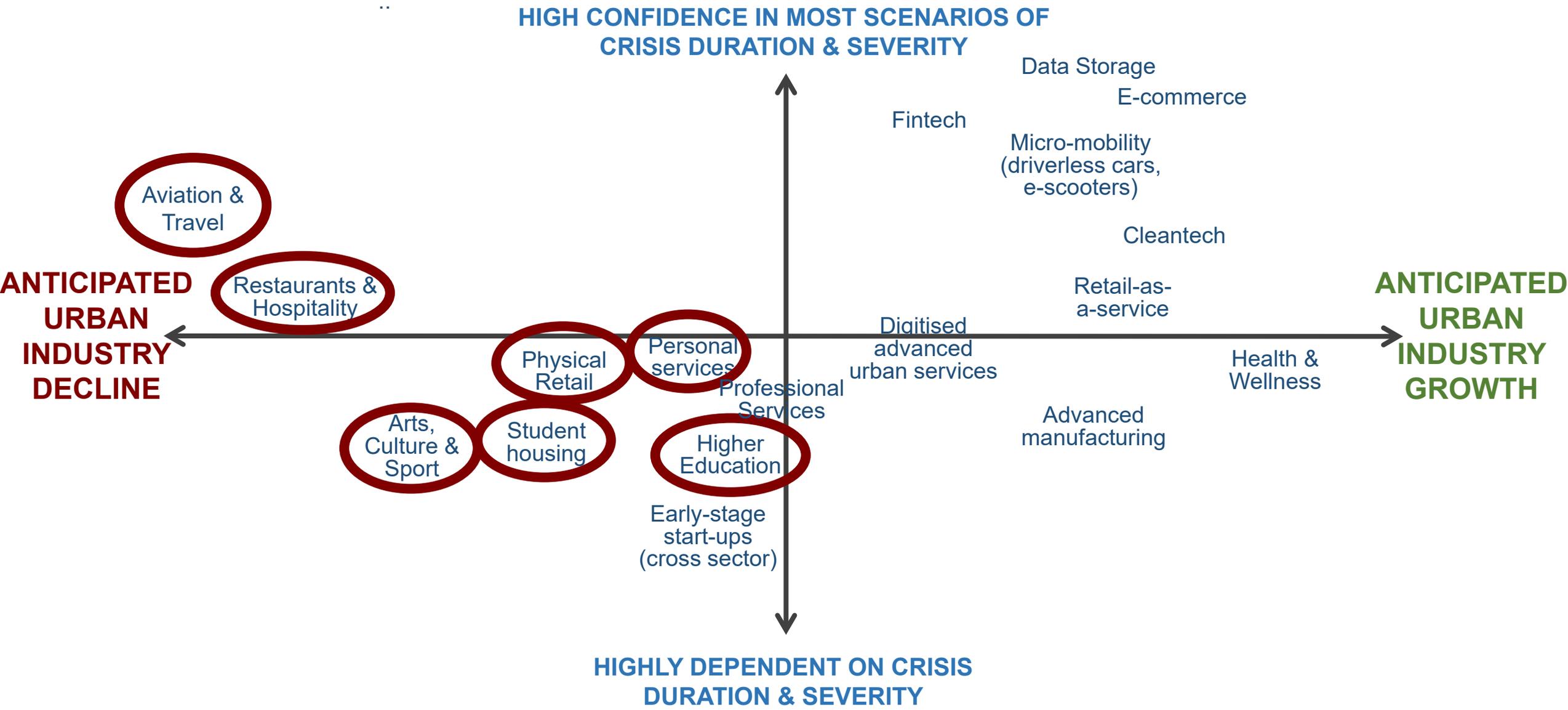
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Jobs  
Alert

Cities  
Alarm

# How will European cities be impacted by Covid-19?



# The Built Environment in cities the near and medium term?

Up?	Down?	Uncertain?
<ul style="list-style-type: none"><li>✓ Data Centres</li><li>✓ Home working</li><li>✓ Last mile Logistics</li><li>✓ Medical related</li><li>✓ Local services</li><li>✓ Residential niches and locations</li></ul>	<ul style="list-style-type: none"><li>✗ Retail</li><li>✗ Hotels</li><li>✗ Convention Centres</li><li>✗ Airports</li><li>✗ Stadia</li></ul>	<ul style="list-style-type: none"><li>! CBD?</li><li>! Office?</li><li>! Conversions?</li><li>! Student Housing?</li><li>! Ports?</li></ul>
<ul style="list-style-type: none"><li>✓ 2nd / 3rd tier and suburban locations</li><li>✓ Real Estate as a Service</li><li>✓ Agile mixed use</li></ul>	<ul style="list-style-type: none"><li>✗ City Centres?</li><li>✗ Single use assets</li><li>✗ Traditional business models</li></ul>	<ul style="list-style-type: none"><li>! Allocations of capital to real estate</li><li>! Regional variations</li><li>! Cross-border investing</li></ul>

# 3 medicine scenarios, and the race for testing.

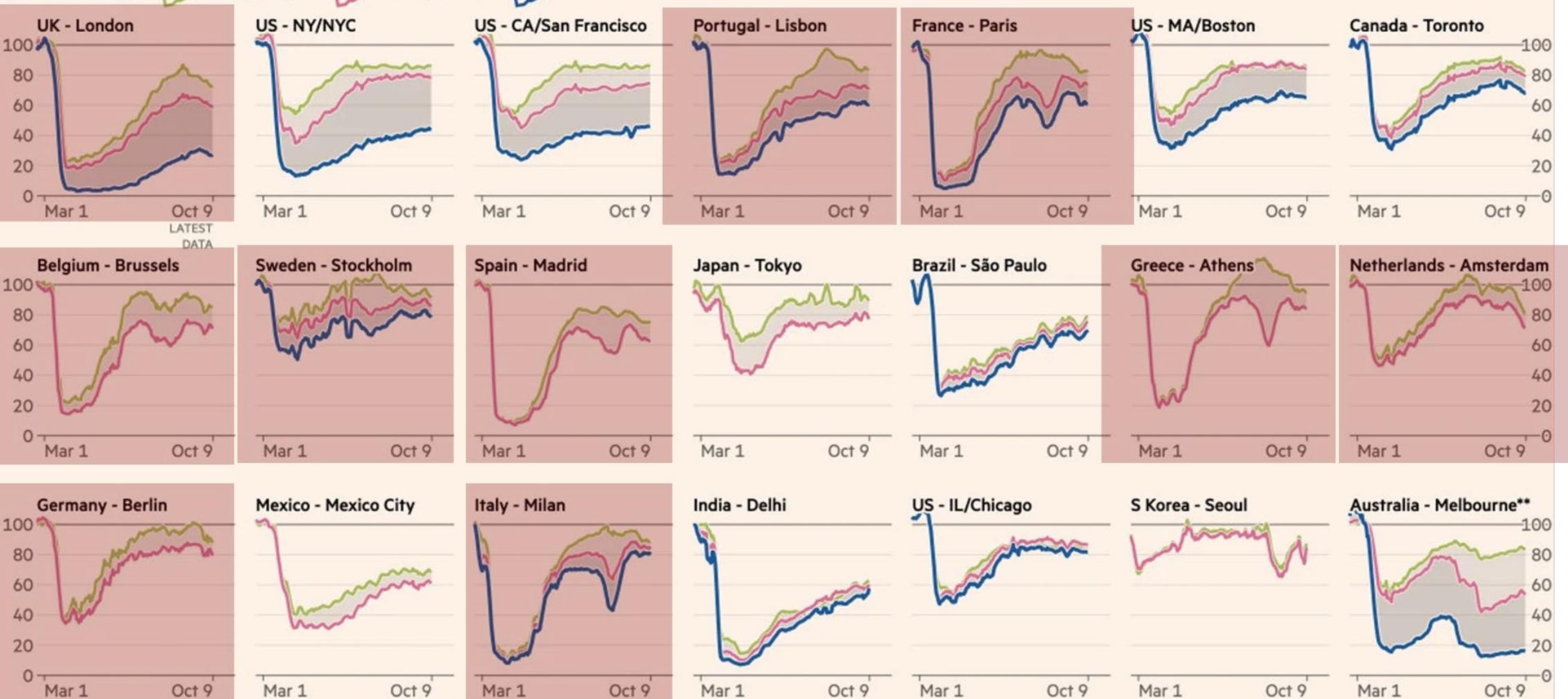
Care type	Government response	Consumer confidence	Considerations	Select "open" sectors
 <b>Reactive care (anti-inflammatories)</b>	<ul style="list-style-type: none"> <li>◆ Lockdown measures</li> <li>◆ Travel bans</li> <li>◆ Closure of public spaces</li> </ul>		<ul style="list-style-type: none"> <li>◆ Low consumer confidence given the <b>economic shock</b> and expected growth prospects</li> <li>◆ Potential <b>loss in household income</b> as a result of the economic and health policy responses to the crisis</li> <li>◆ <b>Increase of savings</b> amid future <b>uncertainty</b> and fears of <b>unemployment and labour market shrinkage</b></li> <li>◆ Focus on <b>non-adjustable household spending</b></li> <li>◆ Deferral of most non-essential spending</li> </ul>	<ul style="list-style-type: none"> <li> <b>Energy</b></li> <li> <b>FMCG / F&amp;B</b></li> <li> <b>Residential rents</b></li> <li> <b>Telecom</b></li> <li> <b>Utilities</b></li> </ul>
 <b>Treatment care (antivirals)</b>	<ul style="list-style-type: none"> <li>◆ <b>Continuous social distancing and adoption of PPE across the population</b></li> </ul>		<ul style="list-style-type: none"> <li>◆ Better consumer confidence if clinical trials lead to an effective treatment</li> <li>◆ <b>Improvement of household spend</b> dedicated to goods and services previously prohibited or discouraged due to social distancing</li> <li>◆ Deferral of significant spending given <b>continuous vulnerability of the economy</b></li> </ul>	<ul style="list-style-type: none"> <li> <b>Cinemas</b></li> <li> <b>Entertainment</b></li> <li> <b>Bars</b></li> <li> <b>Restaurants</b></li> <li> <b>Unis &amp; education campuses</b></li> </ul>
 <b>Preventive care (vaccines)</b>	<ul style="list-style-type: none"> <li>◆ <b>Progressive return to "normalcy"</b></li> </ul>		<ul style="list-style-type: none"> <li>◆ <b>Restoration of consumer confidence and optimism</b> across the population</li> <li>◆ <b>Decrease of saving rates</b> as employment and market conditions are recovering and re-injection of cash in the economy</li> <li>◆ Recovery of spending index, incl. significant expenditures in leisure and other recreational activities</li> <li>◆ <b>Central business districts may be impacted</b> by longer term social distancing measures and working from home</li> </ul>	<ul style="list-style-type: none"> <li> <b>Automotive</b></li> <li> <b>Corporate RE (in dense CBDs)<sup>1</sup></b></li> <li> <b>Hotels</b></li> <li> <b>Luxury goods</b></li> <li> <b>Real estate</b></li> <li> <b>Travel</b></li> </ul>

# How will European cities be impacted by Covid-19?

Footfall is recovering much more slowly in major cities than elsewhere

Footfall at cafés, restaurants, retail and leisure venues, as a % of baseline\*

National average City region City centre†



\*Baseline = average for same day of week, Jan 3-Feb 6, 2020

†Data is not available for all city centres

\*\*Melbourne was subject to a stricter lockdown than elsewhere in Australia

Source: FT analysis of Google community mobility data

FT graphic: John Burn-Murdoch / @jburnmurdoch

@FT

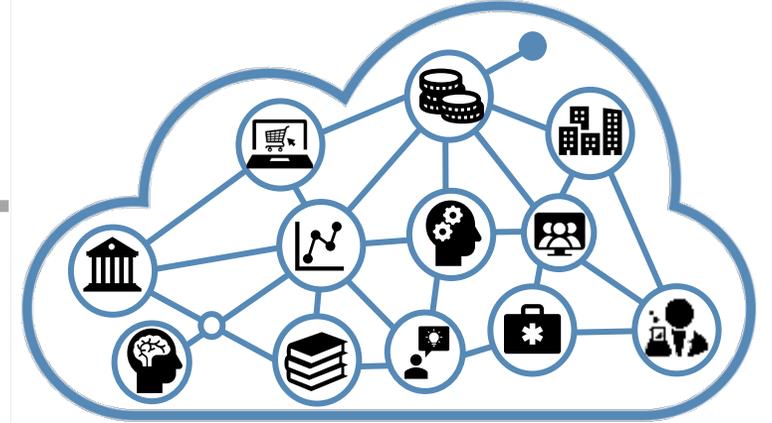
# Europe's city economies look like after Covid-19?

1. Rise of the hybrid '**blended city**' – greater demand for immersive experiences and flexible 'office as a service' working, plus more distributed forms of interaction and growing virtual economy
2. Investment in **innovation assets and infrastructures** (e.g. testbeds, districts) to boost competitiveness, plus enhanced focus on ecosystem coordination
3. More **industry diversification, green growth and focus on environmental sustainability** via push for green innovation, building retrofits and decarbonisation
4. Accelerated **agility in land use** due to surge in remote working, more intensive use of neighbourhood services, and re-organised trade, logistics, and supply chain networks
5. Greater uptake of walking and cycling and the **emergence of a more polycentric and flexible metropolitan model**

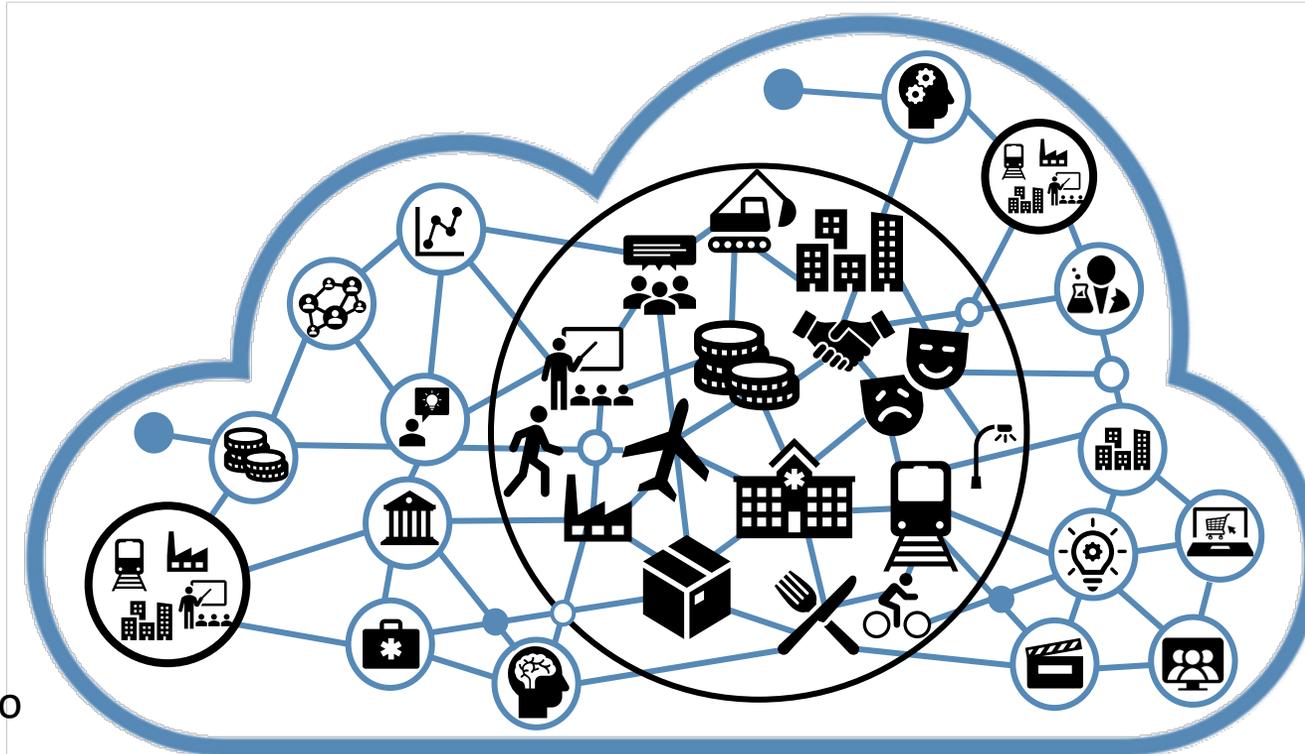
## The Physical City



## The Virtual City



## The Blended City



### Choices: citizens

1. Where we live
2. How we work and consume
3. When/how we travel

### Choices: cities

1. How to adjust services, systems, and shared spaces.
2. How to generate revenues.
3. What economic sectors to pursue and how?

### Leads to

1. Changes in effective shape and size of city
2. Accelerated Hybridity.
3. Risk of fragmentation and segregation.

# Are European cities viewed as globally irrelevant?

 Relatively small size compared to cities in US and Asia



Only 4 of the world's **top 50 urban economies** are in Europe

 Far from main centres of economic growth and demand

 Adverse demographic outlook in many cities



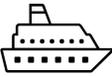
75% of Europe's cities have an **old age dependency ratio** >30, compared to 33% in the US

 Slow integration of exponential technologies

 Modest track record of innovation and venturing



Of the top 1,000 **innovative tech firms** globally, only 160 have their HQs in European cities – compared to >650 in US cities

 Externalities relating to over tourism

 Erratic appetite to grow, densify and attract newcomers



52 of the 100 slowest growing urban areas >1m from 2018-2035 will be in Europe

 Social and political polarisation on the rise

# What are the reasons for optimism?



Highly specialised, distinctive and globally recognisable cities



Deep urban culture sustains desirability, identity and investment



Leverage knowhow and expertise to serve and host the world



Track record of commitment to sustainable city futures



Quality urban systems and inter-gov model to answer the quality of life equation



Long-term planning and continuously high rates of infrastructure investment



13 of the top 20 cities for all-round citizen admiration and appeal are in Europe



2/3 of Europe's cities and urban areas have a climate mitigation or adaptation plan in place



7 of the top 20 cities for per capita city government capital expenditure are in Europe

# The DNA of European Cities: need to play to our strengths

## Perceived Threats

Relatively small cities compared to America and Asia	Far away from main centres of economic growth and demand
Adverse demographic outlook in many cities	Erratic appetite for cities to grow, densify and attract newcomers
Modest track record of innovation and venturing	Slow integration of exponential technologies
Externalities related to over tourism	Social and political polarisation on the rise

## Reasons for Optimism

Highly specialised, distinctive and globally recognisable cities	Track record of commitment to sustainable city futures
Deep urban culture sustains desirability, identity & investment	Quality urban systems and inter-gov model underpins quality of life
Leverage knowhow to serve and host the world	Long-term planning and continuously high rates of infra investment