



WHAT MAKES CITIES COMPETITIVE?

RANKINGS & SUCCESS FACTORS
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1. INTRODUCTION

City success and competitiveness rely on a large number of factors, many of which are interlinked. These factors can range from economic growth and employment creation, to the quality of public realm, transport infrastructure safety and security, education and culture. A number of organisations and institutions have created indexes which aim to identify the world's most successful cities, based on these types of criteria.

This report provides a summary of the main factors that make cities successful and competitive. It looks across the existing evidence, studies and analyses that seek to combine factors and urban assets to produce rankings of prosperous cities. This evidence is useful in helping us to understand what will make Swedish cities more competitive – are there elements that can be borrowed from the world's most successful cities to make Sweden's major urban areas perform to their full potential?

Quality of life, Innovation, Economy & Competitiveness have been chosen as the main drivers in order to understand the relative success of cities and the main contributing factors.

The following sections analyse these rankings in more detail, describing why some cities rank continuously on top.



Source: *The New Yorker*

New York City – one of the world's most successful cities – driven by a combination of economic specialisation, a highly skilled workforce, openness to international trade and influence, strong connectivity and unique cultural assets. Is this a winning combination for other cities?

2. GLOBAL CITY RANKINGS OVERVIEW

Numerous organisations have developed indexes that aim to identify the world's most successful cities. This work has been undertaken by private companies such as Monocle Magazine and the Economist Intelligence Unit, as well as regional institutions such as the European Commission and the OECD. Overall, 35 of these rankings have been included in our overview.

For each city ranking, the 15 top cities have been identified and listed and amongst these the 'top performers' have been chosen based on number of times each city was mentioned.

In the small circles on the right hand side are the main characteristics associated with the best performing cities in each of the main categories. For example, the main characteristics of those cities that rank high in terms of 'quality of life' indicators such as Zurich, Vienna and Berlin, include safety, education, culture, and healthcare. Research and Development Funding, the number of start-ups and networked markets seem to be clear drivers for 'innovation', where the top performing cities are Berlin, San Francisco, London, New York and Boston. High GDP Growth, good governance and human capital are very important for 'competitive' economies. Other useful rankings include the growth of office space rental, the most important financial districts and the physical capital.

Next we look at each main category in turn.



3. QUALITY OF LIFE RANKINGS & SOURCES

A number of institutions have developed indexes to measure the **quality of life in cities**, and these indexes use a number of different methodologies or indicators which might vary from one ranking to another.

For example, Monocle Magazine considers public-transport networks, international connections, general safety and quality of architecture within its index, while UN-Habitat considers the availability of social services, education, health, recreation and safety as being of prime importance. The Economist Intelligence Unit and the European Commission both use their own surveys to make quantitative calculations about quality of life in cities. UN-Habitat's City Prosperity index is formulated using indicators such as unemployment rate, access to water and infrastructure, mortality and literacy rates amongst other indicators.

Despite the differences, a close look at the indicators included in each index allows us to identify the main success factors for top performing cities. These include: **safety & security, environment, infrastructure, economy, health care, education and culture**. **Berlin, Vienna and Zurich** are the top performers in this category overall, and a number of cities like **Vancouver, Paris, Copenhagen, Munich, Toronto, Amsterdam** also rank well. The next section provides a general overview on the best performers in this category.

QUALITY OF LIFE

- **Quality of life survey 2015** - Monocle Magazine
- **Quality of Living Ranking 2015** – The Mercer Index
- **Quality of life index 2016** – Numbeo
- **Liveability Index 2015** – Economist Intelligence Unit
- **Quality of Life in European Cities 2015** – European Commission
- **Liveability Ranking 2015** – the Global Power City Index, Institute for Urban Strategies
- **Quality of Life score 2015** – the City Prosperity Index, UN Habitat
- **Human Capital and Lifestyle 2016** – European Cities of the Future, FdIntelligence

3. QUALITY OF LIFE

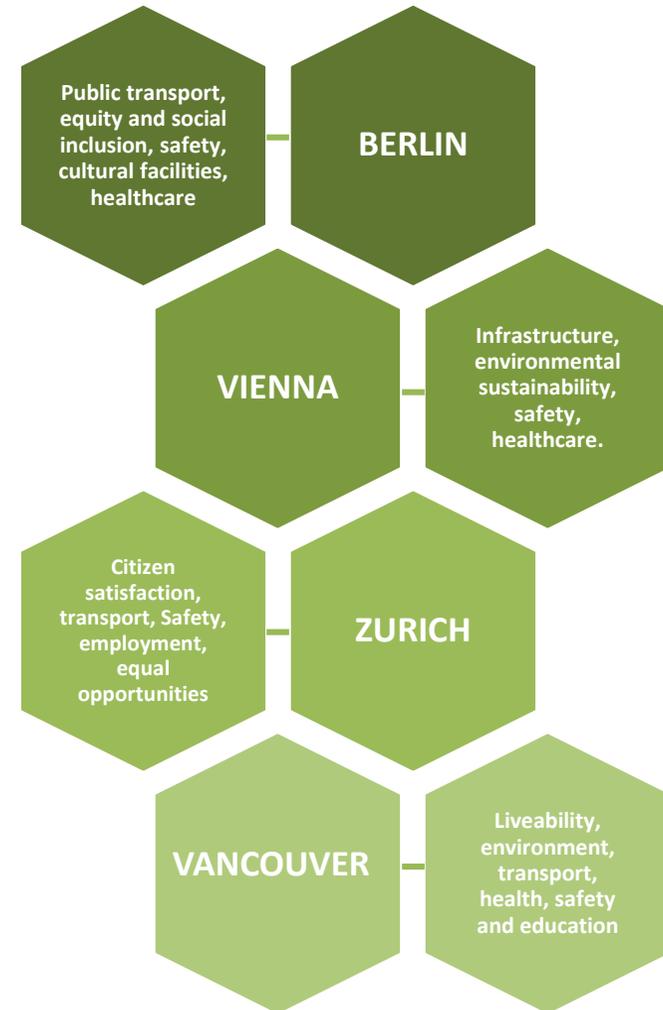
BEST PERFORMING CITIES

Berlin: Berlin scores close to 100% in the European Commissions' overall satisfaction rating, and relatively well in terms of public transport, the availability of cultural facilities and retail/shopping. This city also scores well on safety, healthcare, and climate in Numbeo's index and on Equity and Social Inclusion in UN-Habitat's ranking.

Vienna: Across the same indicators, Vienna performs well in the provision of infrastructures (adequate water, sanitation, power supply, road network, ICT, etc). Equity and environmental sustainability are other important factors, in addition to safety and health care.

Zurich: the EC's index found that the level of 'satisfaction' with their city amongst citizens of Zurich is 99% . Respondents expressed a feeling of safety both in their neighbourhood and within the city as a whole. The city also ranked high in productivity, employment, equal opportunities and income generation, public transport, cultural facilities, health care, environment and infrastructure.

Vancouver: this city scores well relative to other North American cities, and overall, it is known for its high liveability, good transport, healthcare, environment, health and education.



4. INNOVATION RANKINGS & SOURCES

Similar to the Quality of life indicators, the available **Innovation** rankings for cities also include varying methodologies.

For example, the Cities Innovation Index consider 162 indicators that have been gathered from secondary sources while the World Leading Start-up cities index is based on individual surveys conducted with companies in different cities around the world. The Innovation Districts city ranking is based on a qualitative in-house evaluation. Some rankings 'weight' a number of indicators to emphasise certain characteristics that are considered very important, while others consider single measures such as share of GDP spent on R&D or patent registration.

A detailed review of these Innovation rankings suggests that the main factors for successful cities are: **Talent, Patent Registration, R&D Funding, Infrastructure, Networked Markets, High-Tech business** activity, and the number of new firm **Start-ups**. Top performing cities in this category include **Berlin, San Francisco, London, New York, Boston** in addition to **Singapore, Seattle, Munich, Chicago** and **Paris**. The next section provides a general overview of some of the best performers in this category.

INNOVATION

- **Cities Innovation Index 2015** – Innovation Cities
- **World Leading Start-up Cities 2015** - Compass
- **Patents for every 10,000 residents 2008** – OECD
- **Patent Registration 2016** – European Cities of the Future 2016/2017, FDIntelligence
- **Innovation Districts 2015** –Brookings Institute
- **Innovation Score** – Global Cities Outlook 2016 – AT Kearney
- **R&D Ranking 2015** – Global Power Cities Index, Institute for Urban Strategies

4. INNOVATION

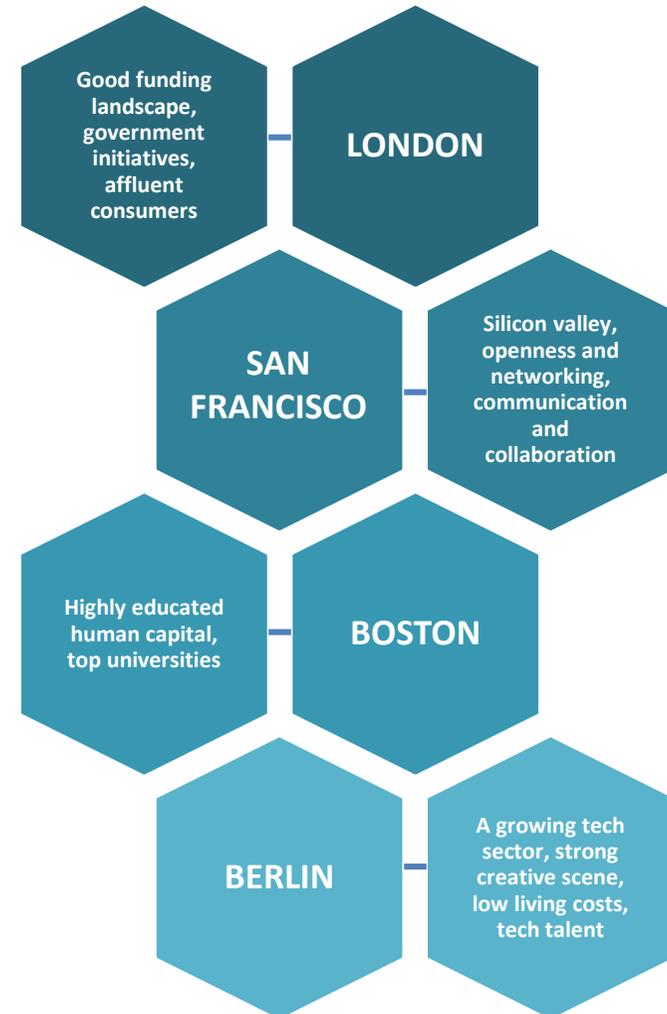
BEST PERFORMING CITIES

London: the UK capital hosts one of the largest 'innovation ecosystems' in the world, with over 5,400 active tech start-ups and with a market value of \$44 billion (Compass). Its success is mainly attributed to affluent consumers and powerful corporations, a solid funding landscape, and ambitious government initiatives.

San Francisco: Silicon Valley has dominated the landscape of innovation for the past 50 years (Brookings Institute), hosting some of the most famous high technology enterprises such as Facebook and Google. Its strength comes from a deep culture of openness and network building, whereby companies compete intensively while at the same time learning from one another through informal communication, networking, collaboration and socialising.

Boston: According to CityLab, Boston has a long-standing history of entrepreneurship, and is second only to Silicon Valley. A.T Kearny attributes Boston's success to high quality human capital due to the city hosting a number of top universities such as MIT and Harvard.

Berlin: Berlin is home to a growing technology sector and is becoming one of the fastest growing hubs for tech entrepreneurs. The city provides the base for between 1,800 - 3,000 tech start-ups and by 2020, the sector could potentially create 40,000 new jobs (Compass). Some reasons behind this growth are a strong creative scene and low living costs which attract national and international tech talent, mainly in e-Commerce, and gaming.



5. ECONOMY AND COMPETITIVENESS

RANKINGS & SOURCES

A great deal of effort goes into understanding exactly what makes different cities economically successful and competitive, and this has resulted in a large number of rankings of which 11 are covered in this analysis. One of the best known rankings here is the Economist Intelligence Unit which sorts different cities based on their economic strength, physical capital, financial maturity, human capital and a number of other indicators which are weighted based on importance.

Due to the comprehensiveness of these indexes, many success factors can be identified as contributing to the competitive of cities. These include **GDP levels and growth rates, average income, employment, business activity, innovation, governance, culture, infrastructure, environment and human capital.**

Not unsurprisingly, in this category many of the most successful and competitive cities include large global centres such **New York, London, Tokyo, Sydney, Singapore and Paris** in addition to **Toronto**. Other successful cities include **Amsterdam, Zurich, Vienna, Copenhagen, and Chicago**. The next section provides general overviews on some of the best performers in this category.

COMPETITIVENESS & ECONOMY

- **The Global Cities Index 2016** – AT Kearney
- **The Global Cities Outlook 2016** –AT Kearney
- **Global Power City Index 2015** - Institute for Urban Strategies
- **Global City Economic Power Index 2015** – City Lab
- **World’s Most Competitive Cities 2012** – EIU
- **City Competitiveness Ranking 2025** – EIU
- **The City Prosperity Index 2015** – UN Habitat
- **Business Activity 2016**– Global Cities Outlook
- **Employment Opportunities** – Quality of Life in EU Cities
- **Productivity Score 2015** – City Prosperity Index
- **European Cities of the Future 2016/2017** – FdIntelligence

5. ECONOMY AND COMPETITIVENESS

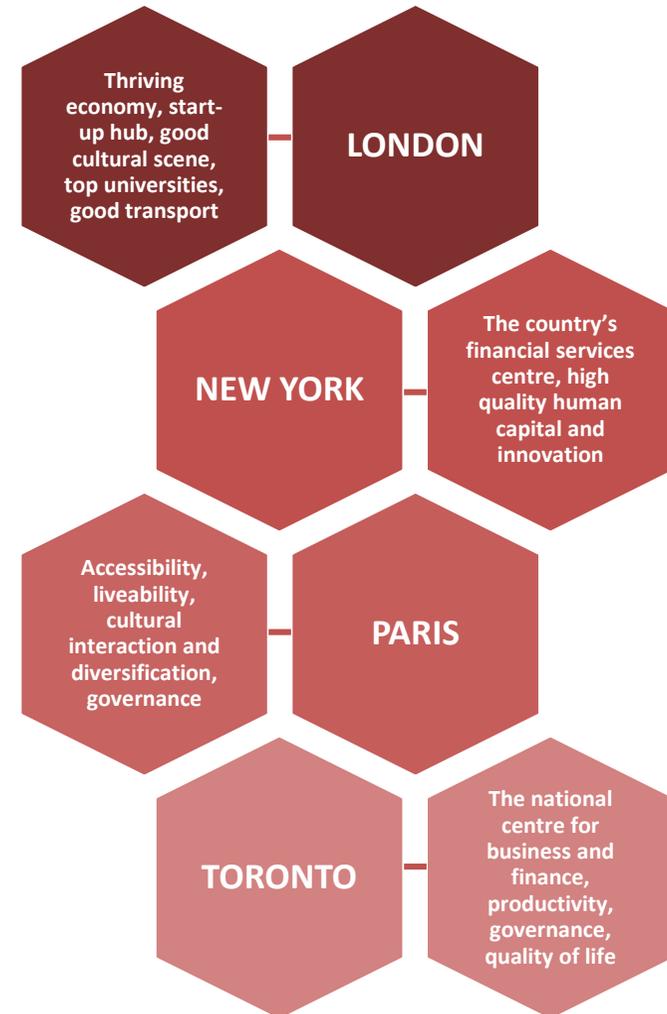
BEST PERFORMING CITIES

London: Despite several ongoing challenges related to housing and infrastructure, the city has a thriving economy and is a hub for both large companies and new start-ups. Hosting major events such as the 2012 Olympics has further improved its overall economic magnetism. The UK capital also hosts an unrivalled cultural scene, numerous top sporting venues, some of the best universities in the world and a relatively low crime rate. New transport investments such as Crossrail are also underway as are other projects that will make London a better place for walking and cycling.

New York: Similar to London, New York also ranks as one of the top two on economy and competitiveness and has similar characteristics to the UK capital. The economy of New York is the largest regional economy in the US, and the city has been characterised as the world's premier financial centre. It is also home to the New York Stock Exchange and NASDAQ. Manhattan is the leading centre in the US for finance, banking and communication and ranks highly on human capital and innovation.

Paris: this city ranks very highly in terms of accessibility, liveability, cultural interaction and research & development. Paris has also established a new body called the Metropole of Greater Paris in January 2016 which includes representatives from the city of Paris and its nearest suburbs with the aim of promoting greater economic cooperation and joint spatial and infrastructure planning.

Toronto: Canada's largest city is also its financial capital and major economic centre. The city scores highly on productivity and infrastructure, and in addition to its economic success, also scores well on quality of life, equity and governance making it a highly attractive place to live.



6. OTHER INDICATORS

BEST PERFORMING CITIES

This category includes a diverse set of indicators that have been used to rank cities. For example, Knight Frank's Skyscraper Index ranks cities based on how expensive it is to rent office space in a tower building, and both the Z/Yen Group's ranking and the Wealth Report are based, in part, on business surveys with professionals.

Overall, the common success factors across these various indexes are ***successful financial districts and business opportunities, high global appeal and good investors' perception, public space and good future prospects for office market growth.***

High performing cities across these indicators are mostly dominated by large and capital cities including **London, New York, Hong Kong, Tokyo, Singapore and Paris**. Other well performing cities are **Zurich, Amsterdam, Frankfurt, Stockholm, Vienna, Boston and Shanghai**. The role of a strong financial services centre seems to be a big driver of success for some of these cities.

COMPETITIVENESS & ECONOMY

- **Skyscraper Index 2016** – Knight Frank
- **Office Rental Growth Forecast 2015-2017** – Cushman & Wakefield
- **Most Important Cities - Wealth Report 2016** – Knight Frank
- **Global Financial Centres Index 2016** - Z/Yen Group Limited
- **Satisfaction with Public Space 2015** - European Commission
- **The Safe Cities Index 2015** – EIU
- **Connectivity** – European Cities of the Future 2016-2017
- **Physical Capital 2012** – EIU
- **Global Appeal 2012** - EIU

6. OTHER INDICATORS

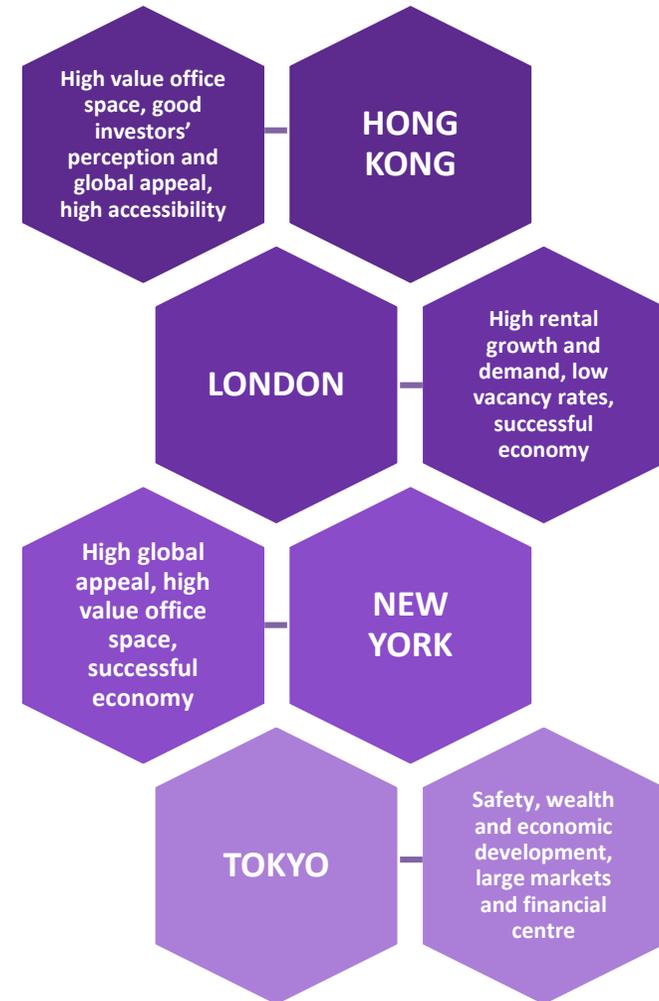
BEST PERFORMING CITIES

Hong Kong: Knight Frank considers Hong Kong to be one of the most important financial centres in the world, with commercial real estate returns reaching 14.4% in the 10 years to 2014. In terms of accessibility, plans are being advanced for a third runway at Hong Kong International Airport, which would allow it to handle up to 102 million passengers.

London: according to Knight Frank, London City office space recorded the highest level of rental growth, nearly 11% in 6 months (2015). This is partly thanks to a successful economy and a buoyant occupier market, which has left the vacancy rate at a 14 year low. Occupiers include both traditional financial and business service occupiers as well as a new wave of technology and creative firms.

New York: The growing demand from the expanding TAMI (Technology, Advertising, Media, and Information) sector, and the lack of modern office product in Manhattan's traditional business corridors have been driving up prices. As a result, large-scale new development projects on the World Trade Centre site and the Far West Side have come online to meet demand and relieve pressure on existing locations.

Tokyo: According to The EIU Safe Cities Index, Tokyo tops the overall ranking of city safety, partly due to levels of wealth and economic development. Moreover, according to Knight Frank, when real estate investors talk about Tokyo, they refer to one of the largest markets in the world, a global financial centre with significant property market liquidity and some of the largest real estate deals going around.



7. CONCLUSIONS

Which cities are most successful?....

We have reviewed numerous analyses and rankings produced by a wide range of different types of organisations – some private and some from the Government sector internationally. All of these analytical exercises are attempting to understand what makes a city successful and what types of attributes, characteristics and assets are critical to securing prosperity and economic success. Some rankings and indexes attempt to capture ‘hard’ indicators such as economic growth and employment, while others seek to reflect broader and more qualitative measures such as inclusion, equality and satisfaction.

Our review has identified Quality of Life, Innovation and Competitiveness as key drivers for city success. Although each ranking or index uses its own tailored methodology for assessment, the conclusions are surprisingly consistent.

The most successful cities globally include some of the most obvious economic centres such as **London, New York, Paris and Tokyo**. These cities are joined by those often considered to be very desirable places to live such as **Toronto, Sydney, San Francisco, Copenhagen and Vancouver**, alongside some strong mid-sized European centres such as **Amsterdam, Vienna, Berlin and Zurich**.

..... And why?

What makes these cities successful and attractive? Fundamentally, they have strong, resilient economies with recognised sectoral specialisms. For many of these cities the roles of finance, business services and technology – especially in the form of entrepreneurship and start-up activity – are vitally important. This goes hand in hand with a strong and adaptable labour force and a very high-quality skills base.

Alongside these economic factors, quality of life attributes are also key. These include feelings of safety and security, a low crime rate and a clean environment – factors that seem to appear very consistently across successful cities of all sizes. Furthermore, quality of public realm and characteristics such as social inclusion and satisfaction amongst residents also seem to be important. Indicators that reflect education, especially research-driven universities, as well as culture, heritage and a strong healthcare sector, are also contributors to prosperity.

At the heart of the equation for success lies a combination of resilient economic base, strong institutions that enhance labour market participation, alongside a quality of life underpinned by culture, education and a sense of inclusive wellbeing.

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