People are reconnecting with cities. But while the top of the Savills Resilient Cities Index has remained relatively unchanged over the past five years, our preferences about what type of city is most desirable are changing significantly.
SAVILLS RESILIENT CITIES INDEX: CHANGE IN CITY RANKINGS FROM 2016 TO 2021

### Rise in ranking

**2016**
- New York
- London
- Tokyo
- Los Angeles
- Paris
- Seoul
- San Francisco
- Singapore
- Boston
- Chicago
- Berlin
- Melbourne
- Stockholm
- Atlanta
- Munich
- Beijing
- Zurich
- Dublin
- Sydney
- Seattle

**2021**
- New York
- London
- Tokyo
- Los Angeles
- Paris
- Seoul
- San Francisco
- Singapore
- Boston
- Chicago
- Berlin
- Melbourne
- Stockholm
- Atlanta
- Munich
- Beijing
- Zurich
- Dublin
- Sydney
- Seattle

### No change

- New York
- London
- Tokyo
- Los Angeles
- Paris
- Seoul
- San Francisco
- Singapore
- Boston
- Chicago
- Berlin
- Melbourne
- Stockholm
- Atlanta
- Munich
- Beijing
- Zurich
- Dublin
- Sydney
- Seattle

### Fall in ranking

- New York
- London
- Tokyo
- Los Angeles
- Paris
- Seoul
- San Francisco
- Singapore
- Boston
- Chicago
- Berlin
- Melbourne
- Stockholm
- Atlanta
- Munich
- Beijing
- Zurich
- Dublin
- Sydney
- Seattle

### What makes a resilient city?

- **Real estate investment**
  - A liquid and readily invested real estate market, with security of title.
  - Real estate investment continues to attract capital, driven by long-term demand for rental and residential assets.

- **Economic strength**
  - A secure, dynamic economy with scale and high personal wealth and strong demographics.
  - Cities that host high-tech industries are attracting people and capital.
  - San Francisco, Boston and Shanghai have all climbed the rankings in recent years.

- **Knowledge economy & tech**
  - High value-add employment with venture capital funding, quality education and innovation in business.
  - Cities with strong knowledge economies are well positioned to weather economic downturns.

- **Environmental, social and governance**
  - Environmental sustainability and strong governance are critical for long-term investment.
  - Cities with robust environmental policies and strong governance are increasingly attractive.

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### Cities that host high-tech industries are attracting people and capital. San Francisco, Boston and Shanghai have all climbed the rankings in recent years.

### The human preference for the city has scarcely wavered, but preferences about what type of city is most desirable are changing.

- **Real estate investment**
  - Resilient cities will continue to attract investment from domestic and international investors, driven by economic strength.

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### Conclusion

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workers have flocked to these cities because they offer employment opportunities and high quality of life. Both Atlanta and Miami offer good weather and lower house prices than large cities further north. Lower state and city taxes have also attracted footloose US workers.

Where people go, real estate investors will follow, not least because of the popularity of the residential sector, which overtook offices in 2021 to become the largest real estate sector worldwide.

Looking forward, this preference will drive more investment in cities that are attracting workers. The difficulty of buying assets in US gateway cities is also pushing investors to look elsewhere. Another prime motivator for real estate investors is ESG considerations. The desire to buy and build more sustainable real estate will determine attractive, but the cities where buyers prefer to place their capital.

**ECONOMIC STRENGTH**

When it comes to economic strength and resilience, size matters. Larger and growing populations and higher and growing GDP (both in total and per capita) drive resilience, but so do economic diversity and low risk. The world’s largest and richest cities naturally sit at the top: Tokyo and New York have maintained their positions since 2016.

Tokyo stands out for its low risk and highly diversified economy, which still attracts migrants from provincial Japan and keeps the city growing despite the wider demographic challenges in the country. New York’s position is based squarely on wealth – it has the largest GDP per capita – double that of Tokyo.

China now has four cities in the top 12, reflecting its burgeoning economic strength. The dynamic tech city of Shenzhen maintains third place, while Shanghai and Hangzhou have burst into the top 10. Hangzhou – another Chinese tech city – has gained more than 30 places due to its growing and dynamic economy. Technology and the wealth it generates also propel San Jose in the tech hub of Silicon Valley, California towards the top of the rankings, despite it being far smaller than the other cities in the top 10.

GDP growth in Delhi

Delhi provides a marked contrast with San Jose, as its GDP per capita is only 1/100th of that in the Californian city. However, it has a growing and youthful population and increasing urbanisation, all of which will combine to bring economic growth.

Arvind Nandan, Head of Research and Consultancy at Savills India, says: “Delhi has a well-developed social, physical and industrial infrastructure. It also has a large percentage of skilled workers relative to other states, which is driving the knowledge economy, particularly in IT, design, R&D and financial services, and thus economic growth. Average GDP growth is forecast to be 8.7% over the next five years.”

London has fallen back over the past five years, due to higher risks from its departure from the European Union, but it remains the only European city in the top 12. However, financial stability and low risk are also economic strengths that keep the Swiss cities of Basel and Zurich in the top 20.

In future, large and wealthy cities will continue to dominate this part of the Resilient Cities rankings, while the economic growth of China will move its cities upwards, although this effect is likely to be mitigated by demographics, which will, in contrast, add to the economic resilience of India’s large cities.

Worldwide, cities where a large part of the population is of working age, such as Shenzhen (86%), Dubai (83%) and Cairo (69%), should offer real estate opportunities to cater for the rising middle classes and growing business investment.

**KNOWLEDGE ECONOMY AND TECHNOLOGY**

The world economy is increasingly driven by technology and the knowledge economy, and the most resilient cities are those that can adapt to new technologies and provide an

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**Beyond GDP**

Is GDP the best way to measure a city’s success? Overall GDP is a blunt measure that misses inequalities, and as people favour work-life balance, health and happiness more than money, there is a search for ways to measure a city’s less tangible qualities. Furthermore, GDP does not account for the environmental cost of growth, something we take account of through the ESG factors of our index. A number of countries, most notably New Zealand and Iceland, have forward-looking governments who realise that welfare extends beyond GDP. New Zealand’s Living Standards Framework is intended to capture the things that matter for New Zealanders’ welfare and results will drive government spending in certain areas. It seeks to measure the following three metrics:  
- Individual and collective wellbeing - factors such as health, knowledge and skills, housing and leisure.  
- Institutions and governance, including government, firms and markets and international relations.  
- Wealth – financial capital, social cohesion and the natural environment.

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**Hangzhou, another Chinese tech city, has gained more than 30 places due to its growing and dynamic economy**

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**THE CHANGE IN RANKING FOR EACH OF OUR FOUR DEFINING FACTORS (2016 TO 2021)**

- **Top Cities by Economic Strength**
- **Top Cities by Knowledge Economy and Technology**
- **Top Cities by ESG**

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- **Tokyo, Japan**
- **New York, US**
- **Shanghai, China**
- **Shenzhen, China**
- **Oslo, Norway**
- **London, UK**
- **Beijing, China**
- **San Jose, US**
- **Berlin, Germany**
- **Vienna, Austria**
- **Singapore, Singapore**
- **Shenzhen, China**
- **Dallas, US**
- **Miami, US**
- **Los Angeles, US**
- **Washington DC, US**
- **Montreal, Canada**
- **Toronto, Canada**
- **Sydney, Australia**
- **Boston, US**
- **Melbourne, Australia**
- **Tokyo, Japan**
- **New York, US**
- **Shanghai, China**
- **Shenzhen, China**
- **Oslo, Norway**
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- **Boston, US**
- **Melbourne, Australia**

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**Source** Savills Research
We take a deeper dive into how the cities of Los Angeles, Berlin and Shanghai are evolving to improve their resilient city ranking.

Los Angeles 3rd

Moving up one place, ranked 3rd in 2019

Los Angeles is also a creative and economic powerhouse. Millions of people worldwide aspire to one day move there and make it big. Of course, the city’s success is founded on more than Tinseltown dreams—LA is also home to a myriad of high-tech industries. Nonetheless, the entertainment business is huge and has reconnected with customers in recent years in order to meet demand for streaming entertainment.

“LA continues to appeal to talented workers from around the world who are attracted to the city’s climate, amenities, and high quality of life,” says Michael Soto, Head of Office Research at Savills in LA. This affordability sent prime residential prices up 10% in 2021.

Livableness and emissions are challenges for a city known for its gridlock, but Soto says, “Over the past 15 years, LA City officials have authorized more than $100 billion in taxes to fund long-term transit construction projects. Long-term results for traffic gridlock, LA has seen the largest transit infrastructure program of any metropolitan area in the United States.”

Shanghai 18th

Moving up seven places, ranked 25th in 2019

Shanghai’s financial capital has been climbing the resilience rankings since 2014, its performance driven by economic growth and an expanding real estate market. The city’s real estate market is liquid and transparent, with more than 80% of all transactions carried out by private players. Global life science venture capital investment grew by 31% last year, following a 55% increase in 2020—that shows how many more places to support life science is now more familiar with the life science sector and other knowledge industries. Locations that offer a mix of the best talent. Those tech labour pools are mainly found in larger cities, which also provide a closer proximity to larger pools of end-users.”

Success breeds success in the life sciences sector and other knowledge industries. Locations that offer a mix of universities, major tech occupiers and the firms that support them—as well as lifestyle options for employees—will see cluster benefits. Sometimes, cities can form a cluster, such as the Golden Triangle of Oxford, Cambridge and London in the UK or the Research Triangle of Raleigh, Durham and Chapel Hill in North Carolina.

Lifestyle and livability factors

Attracting talent is crucial to the success of knowledge economy businesses, which means that lifestyle and livability factors will become more important in the future.

Cities that offer great lifestyle opportunities, such as Austin, Barcelona and Copenhagen, have benefitted from workers’ migration, while the digital nomad phenomenon has knowledge workers who can operate remotely from anywhere in the world choose cities with a laissez-faire approach.

Savills Tech Cities research posits that the presence of cafes that offer good flat whites and vegan burgers could well be a biomarker of success as a tech city.

Toronto and Montreal have seen their ESG ranking boosted by Canada’s strong social and governance credentials. Additionally, Toronto has also set a 2040 net-zero target date, a decade ahead of the rest of the nation.

ENVIROMENTAL, SOCIAL AND GOVERNANCE (ESG)

In cities, as in every other aspect of human life, ESG issues have become a major priority. Not only do most industrialised nations have a net-zero emissions target, but so do many cities and many corporations.

However, most ESG factors are on a country level, which dominates any city characteristics as, naturally, cities within nations that prioritise ESG will tend to outperform. The index rates cities largely at a country level, on factors such as carbon emissions per capita, renewable energy consumption, food security, inequality, democracy and the rule of law. However, it also considers the Climate and Environment section of the net-zero target database at city level (see the Race for Carbon Neutrality on page 45).

The top performers are concentrated in a small number of Northern European countries and Canada. The total population of the cities in the top 10 net-zero carbon emissions is less than seven million, slightly more than the population of the major cities. This highlights the challenge facing larger cities and emerging economies.

Race for net zero carbon emissions

The Nordics and Iceland dominate the top 12 cities for ESG, as they are prosperous, liberal economies with abundant natural resources and low population densities. Iceland, for example, gets more than three-quarters of its energy from renewable sources, mostly through hydropower and geothermal power.

Austria has three cities in the top 10, including the capital, Vienna. Sebastian Scheufele, Managing Partner at Savills affiliate Modesta Real Estate, says: “The three cities provide an excellent public transport system, which contributes to lower emissions. Furthermore, Vienna has been voted the city with the worldwide highest quality of living several times in a row. Additionally, Austria has pledged to reach net-zero carbon emissions by 2040, which is a full decade ahead of the wider EU target. In recent years, ESG has become increasingly important for real estate investors, landlords and corporations. The race is on to achieve carbon neutrality.”

Toronto and Montreal have seen their ranking boosted by Canada’s social and governance credentials. Toronto has also set a 2040 net-zero target date, a decade ahead of the rest of the nation. The real estate industry, which is responsible for 40% of global carbon emissions, is more focused on ESG than ever before, with many of the largest investors and asset managers pledging to be net-zero carbon by 2050 or earlier. Technology is at the heart of this process, whether it is using artificial intelligence to run buildings more efficiently or in the use of new construction techniques and materials. However, the challenge in ESG is not so much the best, as the rest. Most of the world’s building stock is not new, so more needs to be done to make existing real estate stock more efficient. Similarly, smaller cities in wealthy nations will need to dominate the ESG section of the research.

However, the main challenge in sustainability is getting the same sort of performance from larger, poorer cities, where economic growth remains a priority and a necessity.

The German capital’s rise in ranking is buoyed by the success of its residential market, which itself thrives because of the city’s dynamism. “For the first time ever, Berlin was the city with the highest real estate investment volume in Europe last year.”

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