DEMOGRAPHIC SHIFTS: THE WORLD IN 2030

CUSHMAN & WAKEFIELD

EXECUTIVE SUMMARY

We are entering a decade of seismic demographic change. The Baby Boomers will leave the workforce and Generation X will march ever closer to retirement age, to be replaced by Generation Y (also known as Millennials) and Generation Z as the dominant generations in the workplace. The impacts of this will permeate through all facets of the real estate sector, from the composition of the workforce to how the nature of work changes; from where people live and work to how they shop and relax. While these trends will take place across countries, their most acute effects will be felt at the city and local levels.

In this report, we analyze four key demographic issues: (1) the aging of Baby Boomers; (2) the progression of Millennials through the life course; (3) the difference between Generation Z and Millennials and (4) the impacts on the world's cities. This report extends a global viewpoint and takes the perspectives of both occupiers and investors to identify opportunities and challenges that will be encountered by 2030.

KEY TAKEAWAYS

BABY BOOMERS

Boomers are still working.

There are 693 million Boomers worldwide that have not yet reached the prime retirement age of 65. That figure represents 21 percent of the global working age population.

But retirement is right around the corner.

By 2025, two-thirds of the Boomers will have hit the 65-year-old threshold, and by 2030 all of them will have reached this milestone.

Boomers have money.

Boomers control 70% of of the U.S.'s disposable income, with similar figures for Australia and other parts of the world.

Boomers like bricks and mortar.

84% of Boomers prefer to shop in-store, and 67% report that if an item they want is available online and in-store, they prefer to purchase it in-store.

What industries benefit from Boomers retiring?

Leisure travel/hobbies (i.e., golf, airlines, hotels and cruises); medical office, pharmaceutical, urgent care; traditional retail, home improvement concepts, multifamily and senior living communities.

KEY TAKEAWAYS

MILLENNIALS

The world talks about them because there are so many.

For the entire decade between 2020 and 2030, Millennials will comprise the largest share of the workforce, representing 40% of the global working age population by the end of the period.

Millennials are getting older.

In just 11 years, the oldest Millennials will turn 50.

Millennials care about big issues.

In a global study, nearly one-third of Millennials placed the environment as their top concern, with a similar proportion believing that businesses should try to improve society.

Who benefits from the demographic shift?

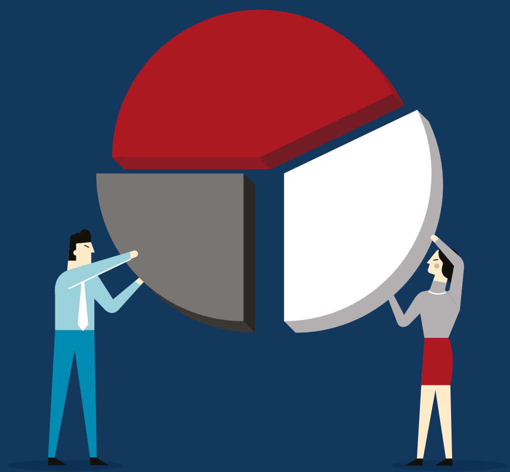
Corporations that have clearly defined corporate social responsibility strategies; lower cost cities and suburbs with strong civic centers and transportation services; lifestyle service providers including gyms, childcare centers and restaurants.

Millennials want amenities.

A wave of Millennials are moving out of inner-city locations in search of space, but they are not compromising on walkability and local amenities in their location choices.

KEY TAKEAWAYS

GENERATION Z



26%

Generation Z is the largest cohort alive.

Generation Z is comprised of just under two billion people globally, or 26% of the world's population.

Generation Z is digitally native.

This is the first generation to have grown up with integrated, mobile technology and expect it – and everything it touches – to be seamless.

Generation Z wants to be secure.

Having grown up in the shadow of global terrorism risk and ongoing economic turmoil, they have a sharper focus on security and stability than Millennials.

Who benefits from the demographic shift?

It's still early, but corporates with strong mentoring programs and those that adopt a technology-forward approach will attract and retain Generation Z talent. Other beneficiaries are expected to be experiential retail centers, multifamily portfolios, eCommerce and last-mile delivery.

But needs help to develop soft skills.

A life grown up in the digital era has made Generation Z technologically capable, but at times, it may be at the expense of emotional and social skills.

KEY TAKEAWAYS

CITY IMPACTS

Focus on placemaking.

In an increasingly competitive world, cities will need to focus on making themselves as attractive as possible to businesses and talent alike.

Productivity gains to attract investment.

Many Chinese markets are forecast to have weak demographic fundamentals but strong economic growth. These high productivity markets are likely to attract greater institutional investment.

Demographic windfalls to drive outsourcing markets.

Southeast Asian and Indian cities are forecast to benefit from a large influx of Millennials and Generation Z into the workforce, supporting outsourcing operations.

Lagging cities will require a transformational policy.

Some cities have demographic headwinds due to population aging which will require bold policies to counter. Occupiers and investors should focus on city trajectories and weight their portfolios accordingly.

While we recognize the importance of distinguishing between the differing demographics, we believe that understanding how we can all work together is critical. These changes won't occur overnight; there will continue to be a mix of different age groups and expectations that have particularly different influences on real estate over the coming decade.

This exciting period provides immense opportunities across all facets of commercial real estate. However, understanding how to manage these differing expectations and the impacts they will have, both inside and outside of the workplace, will be the key to success.

INTRODUCTION

Over the next decade, the world will experience a series of seismic demographic shifts. More than 693 million Baby Boomers will reach retirement age, while 1.3 billion members of Generation Z will become old enough to enter the labor force.[i] The eldest of Generation X will reach 65 years of age, while the leading edge of Millennials will be approaching 50. The prospect of a 50-year-old Millennial seems very distant, yet it will become a reality in just 11 years.

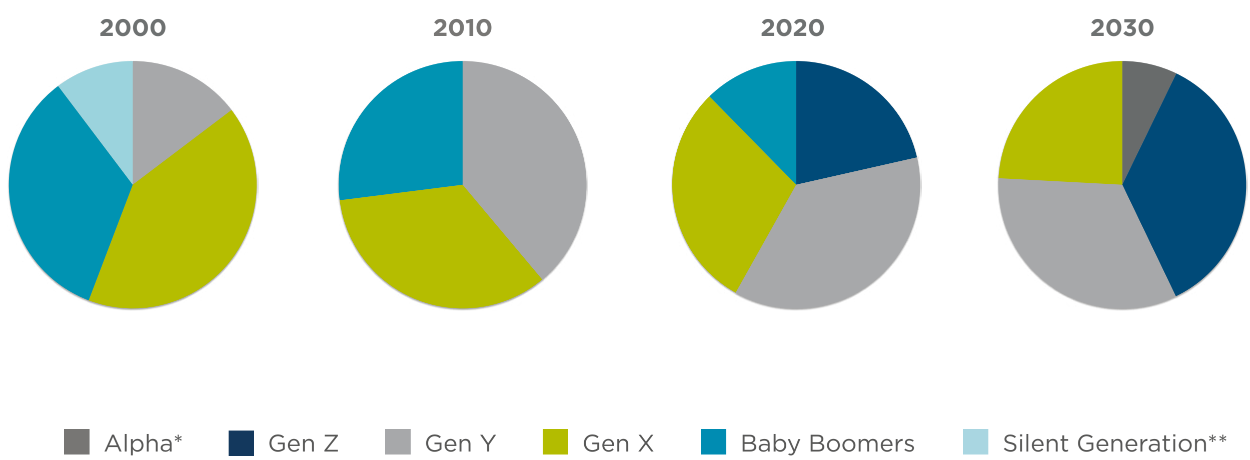
Such changes will produce profound impacts, with the real estate sector being at the leading edge. Implications are diverse – diverging trajectories of labor force growth, an increasing war for talent, geographic shifts in outsourcing, the need for new approaches to developing and changing workplace strategy, to name a few. Investors and occupiers will be simultaneously affected, requiring them to navigate these changes and what they mean for growth strategies into the future.

There is considerable fluidity in how generations are defined and named, with little formal and agreed-upon guidance. However, in this report we utilize the generation definitions published by the Pew Research Center.

	BIRTH YEAR	AGE IN 2019	AGE IN 2030	GENERATION LENGTH
Baby Boomers	1946 – 1964	55 – 73	66 – 84	19 years
Generation X	1965 – 1980	39 – 54	50 – 65	16 years
Generation Y / Millennial	1981 – 1996	23 – 38	34 – 49	16 years
Generation Z	1997 – 2012	7 – 22	18 – 33	16 years

Source: Pew Research Center, Cushman & Wakefield

Figure 1: Proportion of working age[1] population 2000-2030



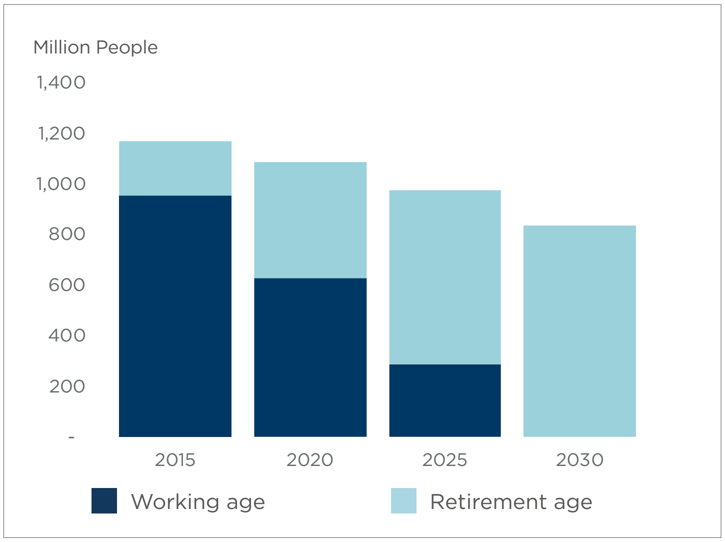
Source: United Nations, Cushman & Wakefield
* Generation Alpha: Born from 2013 to present
** Silent Generation: Born from 1928 - 1945
[1] Working age population defined here as aged 15-64 years

BABY BOOMERS

THE ULTIMATE WORK-LIFE BALANCING ACT

Baby Boomers continue to march, perhaps with great delight, towards retirement. And many are already there. Of the roughly 1.1 billion Baby Boomers living in the world today, ages 55-73, nearly 40% have already reached the prime retirement age of 65, with more than 36,000 turning 65 every single day across the world. By the year 2025, two-thirds of the Boomers will have hit the 65-year-old threshold, and by 2030 all of them will have reached that age (Figure 2). That fact alone has enormous implications for the global economy and for property markets.

Figure 2: Global Baby Boomers entering retirement age



Source: United Nations, Cushman & Wakefield

The Boomers are used to being impactful. This is a generation that is so large and influential that, in 1966, Time magazine named the entire demographic cohort, “Person of the Year.” They have also made a lasting impression on many aspects of the property markets including the rise of big corner offices, suburbia, shopping malls and discount stores. Because of their sheer size and wealth, Boomers have always moved the needle. That won’t be changing anytime soon and as they shift into retirement, what they do next is sure to create massive opportunities.

TRANSITIONING OUT OF THE WORKFORCE

Before we look too far into the future, it is important to recognize that Boomers are not fully out of the workforce yet. As of 2019, there are still 693 million Boomers worldwide that have not yet reached the prime retirement age of 65. That figure represents 20% of the global working age population. Of course, not everyone retires at precisely 65 years old either due to local norms, personal preferences and/or financial need. However, by 2030, Boomers will be 66 to 84 years old, with over 50% above the age of 75.

As the wave of Boomers hits retirement, there will be more retirees relative to the working population than ever before. Globally, there are currently about six workers for every retiree.[2] Over the next decade, that number will drop to 4.8 workers per retiree. For some countries, the impact will be much more acute. In 2030, Japan is forecast to experience an old age dependency ratio of 1.9 workers per retiree while for populous European countries like France, Germany, Italy, Greece, Portugal and Spain, the ratio will sit between 2.3 and 2.5 workers per retiree. This raises fundamental questions regarding long-term economic growth, along with the sustainability of healthcare programs, social care and pension systems. Fortunately, these demographic shifts are comparatively slow-moving and well foreshadowed. However, this does not mask the likely need that lies ahead for tough reforms.

These dynamics will also feed through and impact various sectors of the economy, including real estate. However, until retirement, Baby Boomers will continue to co-inhabit the workplace with younger generations and there will be an ongoing need to manage potential conflicts that arise. Baby Boomers are already seeing their influence and power diminish in the workplace – something that perhaps they have not readily accepted yet.

[2] Aged-dependency ratio of population aged 65+ per population aged 15-64 years

A GENERATION THAT'S READY TO SPEND

Baby Boomers retain the spending power that other generations view through envious eyes. In 2015, Baby Boomers controlled 70% of America's disposable income.[ii] Similarly, in Australia, Boomers comprise only 25% of the population but control nearly 55% of the wealth.[iii] Furthermore, as this generation ages, they are expected to continue outspending Millennials.[iv]

The leading 40% of Boomers that have already hit the 65-threshold are sending early signals about what they plan to do in retirement. In short, they plan to enjoy it as evidenced by the rise of the term "SKI-ing" – Spending the Kids' Inheritance. The oldest of the Boomers reached 65 in 2011. It is perhaps no coincidence that, since 2011, industries such as golf, travel, lodging, vacation homes, vacation rentals and luxury apartments have recorded stratospheric growth.

It is also likely that, with more Boomers retiring, certain traditional bricks-and-mortar stores will experience a resurgence. According to a survey conducted by LoyaltyOne, 84% of Baby Boomers prefer to shop in-store, and 67% report that if an item they want is available online and in-store, they prefer to purchase it in-store.[v] However, it would be remiss to think that this age group is somehow resistant to the enticement of shopping online. In fact, 70% of all Baby Boomers own smartphones and value the convenience that online shopping and home delivery offer.[vi] In turn, they should provide continued support to the logistics sector – especially for continued innovation and an increased use of predictive analytics to determine shopping habits and delivery patterns.

HEALTHY GROWTH FOR HEALTHCARE

Perhaps no industry will benefit more from the aging Boomers than healthcare. Globally, healthcare expenditures are expected to increase by 5% per year through 2022 and reach more than US$10 trillion.[vii] Differing healthcare systems will affect individual country trajectories. Growth is expected to be especially rapid across Asia and Australia, growing by more than 6.5% per year, not least driven by expansionary healthcare policies in China. Similarly, the growth in private health care across India has helped fuel the sector.

In tandem, demand for medical space will rapidly accelerate. Global healthcare employment grew at five times the rate of total employment between 2010 and 2018, and the World Health Organization forecasts demand for more than 40 million additional healthcare jobs globally over the next decade.[viii] Globally, medical office sales have tripled over the 2011 to 2018 period. Other areas that cater to the elderly such as urgent care, in-home care, assisted living and stores that sell products to address aches and pains are also growing rapidly, and will continue to do so. This will be especially the case as Baby Boomers push the limits of healthy life expectancy,[3] which for Europe sits at around 70-75 years while for Asia and the U.S. it is closer to 65-70 years.

The opportunity to reform the economy and societies' support of an aging demographic is one that the world should welcome. The biggest impetus for innovation comes from the urgency of need. Technological advances in the pharmaceutical, biosciences and care-related industries are helping to drive retirement living, health care facilities and life science developments as attractive asset sectors for investment.

[3] Defined by the World Health Organization as "the equivalent number of years of good health that a newborn can expect," as opposed to life expectancy at birth which is defined as "average number of years that a newborn could expect to live if he or she were to pass through life subject to the age-specific mortality rates of a given period."

GENERATION Y

WHAT ARE THE IMPACTS OF A 50-YEAR-OLD MILLENNIAL?

It's hard to imagine that by 2030, the first of Generation Y will be on the cusp of turning 50. It has seemed that for years all young people were grouped into this cohort, dubbed "Millennials" and unfairly saddled with the blame for the demise of multiple industries and products.

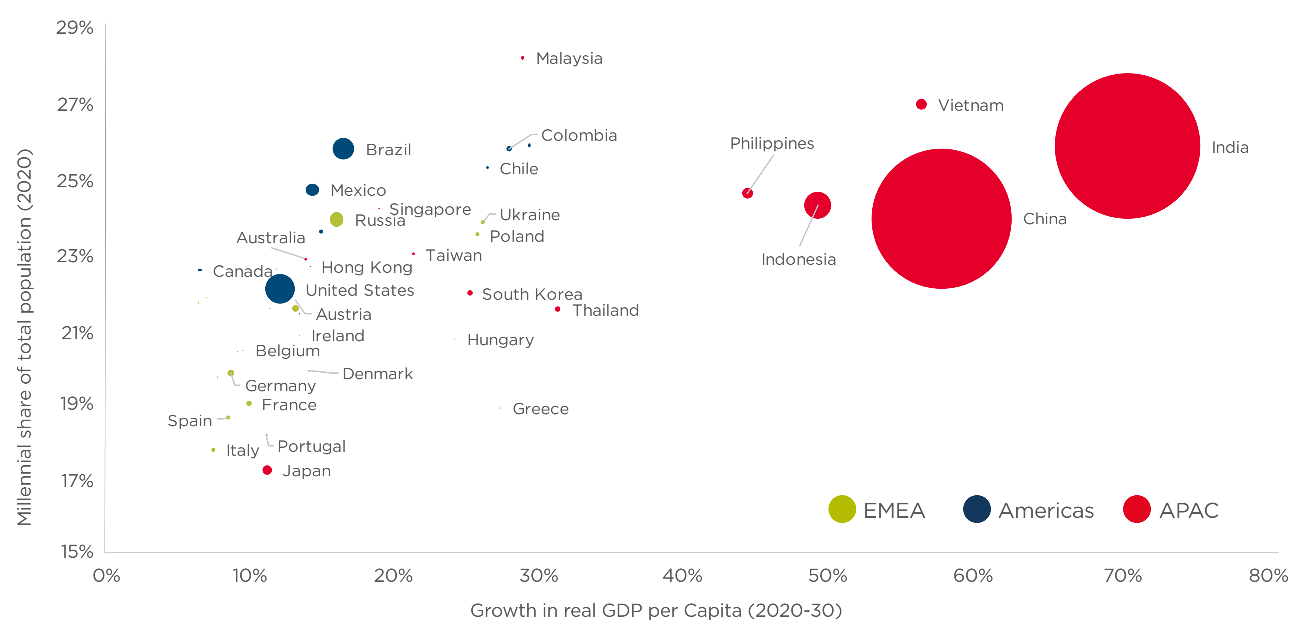
The reality is that this generation is more complex than is typically recognized. The impacts of technology, digital communication and greater transparency across countries and cultures have allowed this generation to diverge from its predecessors in important ways. Further, their early adult years coincided with the worst global recession in more than 75 years, leaving their financial situation precarious at best during the formative years of early adulthood. So, it's worth asking, while Millennials are different, are they really that different?

INCREASING ECONOMIC MIGHT FOCUSED ON SOCIAL ISSUES

The collective effect Millennials have on the economy and property markets has already become pronounced, accounting for 1.9 billion people globally and being the largest generation in many countries including the UK, U.S., Australia, Brazil and Malaysia. Notably, for the entire decade between 2020 and 2030, Millennials will comprise the largest share of the workforce, representing more than 40% of the global working age population by 2030.

Going forward, that impact is expected to become more profound. Millennials are expected to have the fastest growth in net wealth over the 2020 decade—so perhaps despite a tumultuous start to adulthood, their overall economic prospects still look promising. Asian countries are expected to see especially rapid growth as highlighted by increases in GDP per capita. Growth in countries such as China, India, the Philippines, Vietnam and Indonesia is forecast at up to three times that of other advanced economies (Figure 3).

Figure 3: Growth in real GDP per capita vs. Millennial share of total population by country



Size of dot relates to size of Millennial population

Source: United Nations, Oxford Economics, Cushman & Wakefield
Underlying real GDP per capita figures are in purchasing power parity (PPP) terms

In a 2019 survey of Millennials and Generation Z individuals across 42 countries, Deloitte found that 29% of Millennials place the environment as their top concern (out of 20 options) and more than a quarter (27%) believe that businesses should try to improve and protect the environment. In the same survey, 32% of Millennials reported that businesses should try to improve society.[ix] The combination of this increased economic power with a greater focus on environmental and social issues will significantly impact how organizations attract and retain Millennial talent.

While these are values Millennials expect from companies they patronize, they are also values that Millennials bring to the workplace. Supply chains will become even more closely scrutinized for ethical practices at every step. Even compared to Generation Z, Millennials out-research every generation in their purchasing habits.[x] Expect this level of analysis to be brought to corporate procurement.

BEING TECH-SAVVY HAS IMPLICATIONS FOR THE FUTURE OF WORK AND WORKPLACE

Growing up in the early stages of the internet and having near-instant access to information and communication has implications, especially for traditional office work. Flexibility and vast, largely untapped repositories of data have already started to unsettle traditional office dynamics. Densification and, more recently, the rising popularity of flex office/coworking, have contributed to lower absorption rates relative to prior decades, especially amongst smaller tenancies. In Sydney, coworking already accounts for around 25% of the sub-3,500-square-feet lease market, while in New York, coworking accounts for 15% of leases between 50,000 and 100,000 square feet.[xi] More widely, increased densification is also creating increased wear and tear on buildings and their systems, as well as driving the need for more innovative space solutions with better amenities.

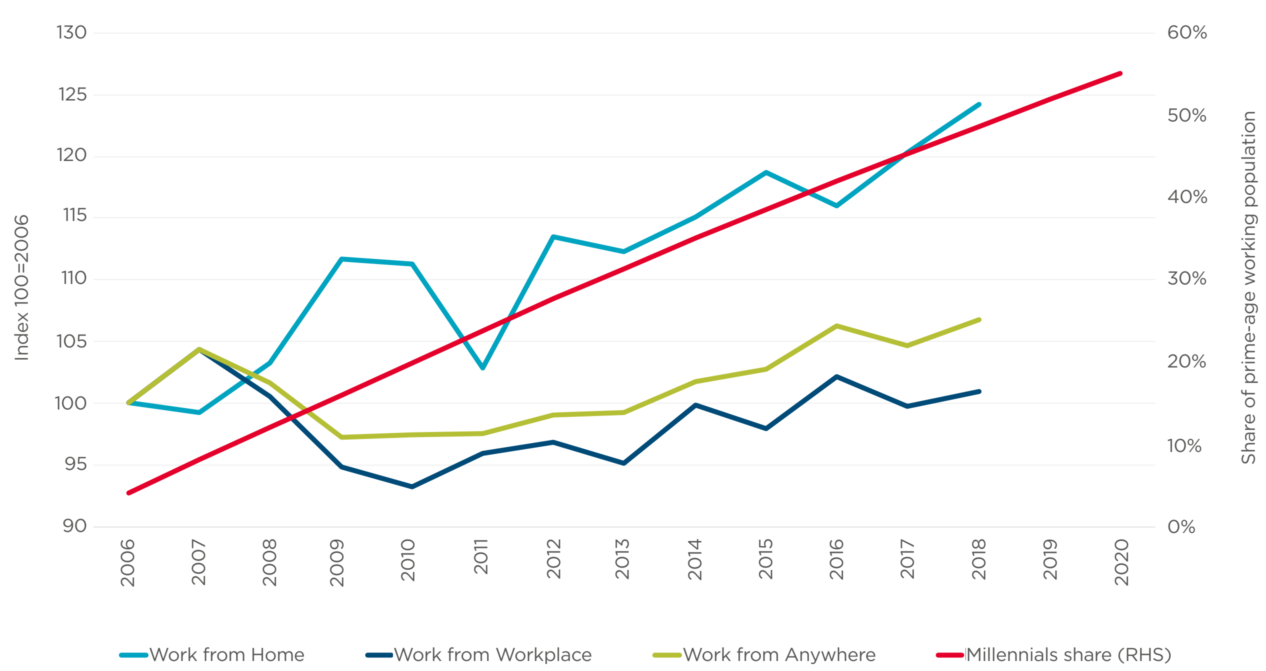
Millennial ideals around the environment and flexibility suggest they will be at the forefront of pushing for further change in how society works. Developments in digital technology will have the greatest impact on working remotely, saving time (lost productivity) and energy (transportation and building).

However, they currently face a juxtaposition. Recent analysis suggests that 50% of Millennials prefer to work remotely for at least one day a week. The other half prefer to work in a workplace full-time.[xii] In other words, most Millennials still want to work in an office at least some of the time (Figure 4).

Accordingly, the concept of the workplace is likely to become more fleeting and will need to cater to an ever-greater number and diverse range of uses and users. We are already seeing this with the growth of collaboration spaces, quiet-zones and lounge areas blurring the live-work line.

For a generation that already reports difficulties in balancing work and life, expect the need for even greater flexibility to continue as more Millennials become parents. The amenitization of office buildings will evolve, including yet more food and bar concepts, gyms and fitness centers, and childcare facilities. Child-friendly restaurants that meet a growing range of dietary needs, activity-based retail and entertainment that engage Millennials and their children, and fitness concepts that have in-house childcare will be prized.

Figure 4: Shift in Millennial office flexibility



Source: American Time-use Survey (BLS), Cushman & Wakefield, United Nations

AMENITY, AMENITY, AMENITY – NOT LOCATION, LOCATION, LOCATION

One of the biggest questions around Millennials is where and how will they live. In their youth, they opted to rent in high-amenity areas that are close to their work to experience big-city life. With this, we have seen a resurgence in areas such as Shoreditch in London and Hoboken in New Jersey with exponential growth in higher-density dwelling construction and the gentrification of suburbs. Elsewhere we have seen growth in the central three wards of Chiyoda, Minato and Chuo in Tokyo, while young expatriates in Singapore have flocked to Tanjong Pagar. These trends are truly global.

Millennials have been seen as the perennial renters. However, global research shows that while 40% of Millennials own their homes, of those who don't, 80% want to.[xiii] As the trailing-end of Millennials enter family-formation age, this could be the catalyst for change.

It is true that to some degree, the movement of Millennials towards central cities is not just a fleeting trend. This will remain especially true where the economic well-being of Millennials and the middle class rapidly increase. But the degree to which Millennials are still being held back by their poor financial footing as young adults cannot be understated. For a generation who has less rosy financial prospects than their predecessors, price sensitivity for all but the most-educated and well-compensated is liable to make less urban-centric options more attractive, especially those that are walkable or can be transformed into vibrant hubs.[xiv] Lower-cost cities, suburbs with strong civic centers and transportation amenities, and up-and-coming neighborhoods will be appealing to those seeking value. In short, while Millennials may be prepared to compromise on location for space, they are less likely to give up their amenities.

A generational housing gap in aging countries may also benefit the economics of homeownership for Millennials. If and when Baby Boomers finally downsize en-masse, this could put systemic downward pressure on single-family home price appreciation—a trend that could emerge in many countries and cities facing considerable population aging. Of course, these same locations need to provide the economic base to attract and retain these Millennial movers.

However, the biggest "bang from the demographic buck" from this generation's march to adulthood may have been reaped over the 2010-2020 decade. The rise of single-family rentals, which generally seek to capitalize on the lack of affordable single-family units in the market, will complement multifamily for investors who seek residential options in their portfolios, but these investors should look less to Millennials as a source of lasting demand. Instead, they should look towards Generation Z.

GENERATION Z

MORE OF THE SAME OR EVEN MORE DIFFERENT?

Not every generation receives the same amount of attention, and it isn't always easy to follow a much-talked-about generation that has captured the public consciousness. Just ask Generation X, which didn't even get a section in this report; just another insult to the long line of indignities experienced by the lost generation squeezed between the larger and more talked about Baby Boomers and Millennials.

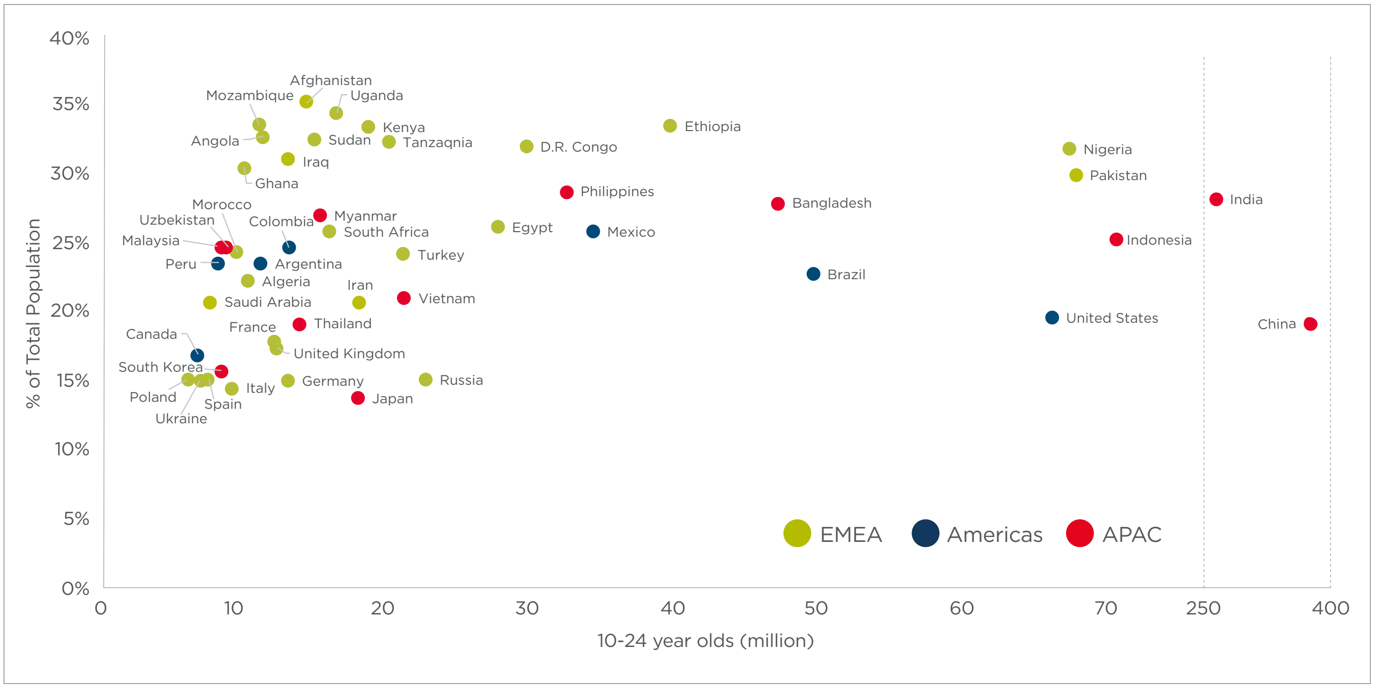
For the past decade, the generational "talk du jour" has been about Millennials. They have been dissected and discussed for so long one can be forgiven for thinking that "Millennial" has become the code word for "young person." However, Millennials are not universally young any longer, and the newest entrants into the workforce are now from an entirely different (and yet to officially be named) generation: Generation Z.

THE WORLD'S LARGEST GENERATION

Generation Z is actually the largest cohort in the world with just under two billion people – 26% of the global population. Even as the largest generation in human history, it accounts for a considerably smaller proportion of the total population because people are living so much longer. It is certainly possible that we will look back and view Generation Z in a similar light as Generation X, squeezed between two more talked about generations.

While this generation is disproportionately located in Africa, which accounts for 23% of all Generation Z members but only 17% of the global population, there is also strong representation across Asia and Latin American countries (Figure 5). Countries of the Association of Southeast Asian Nations (ASEAN) especially are expected to receive a demographic windfall as this generation moves into the labor force.

Figure 5: Distribution of Generation Z by country, as of 2020



Source: United Nations, Cushman & Wakefield

SEARCHING FOR STABILITY AND SECURITY

It is too early to know exactly what to expect from the next generation to enter the workforce. However, we do know what they have experienced in their formative years. The War on Terror has almost been ever-present and they have grown up in an economic environment shaped by The Great Recession, which followed the Global Financial Crisis (GFC), the most severe global economic crisis since the Great Depression of the 1930s. The backdrop for Generation Z's childhood is in these ways most in line with that of the cohort that preceded Baby Boomers (the Silent Generation, born between 1928 and 1945), a generation known for its frugality and desire for stability. Accordingly, in the wake of 9/11, the War on Terror and economic turmoil, it would not be surprising if this generation ends up being noticeably more focused on security and stability than its generally idealistic predecessor.

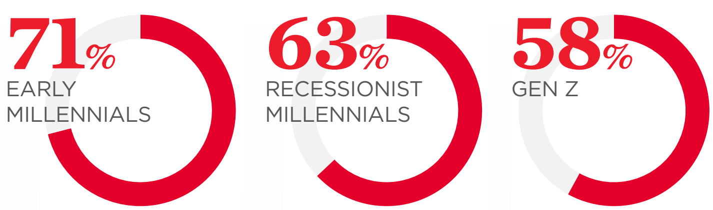
Generation Z is considerably less likely than their older colleagues to indicate an interest in entrepreneurship. According to a survey of more than 18,000 Generation Z, Millennial and Generation X students and workers in 19 countries, the youngest respondents (high school students born between 1997 and 2002) were the least likely to indicate they would choose to work for their own business or a start-up if they had to choose for the rest of their career.[xv] They also appear more financially driven, with ambitions for high salaries, buying their own home and starting a family. Additionally, Generation Z respondents are less likely than early Millennials to indicate they would choose work-life balance over a well-paid job (58% vs. 71%).[ix]

HIGH PRODUCTIVITY...

A proclivity towards security in the workplace creates an opportunity for large occupiers competing in a tight labor market. Raised by realistic (and often cynical) Generation X parents, growing up in the shadow of the Great Recession and being natives to the current, fast-changing world has led to Generation Z being driven and more competitive than their Millennial peers. This attitude will make young workers an excellent addition to any business and will also lead them to have high expectations of the organizations for which they work.

Generation Z is the first generation to live their entire lives in a digital world. Having grown up surrounded by the internet, eCommerce, smart phones and social media, these young graduates will enter the workplace with a "phigital lens"—the experience that all of life is both physical and digital.[xvi] The workplace will need to continue to adapt to keep up with these expectations – expect property technology (PropTech) on steroids.

I would prefer work life balance over a well-paid job



Source: Adapted from Deloitte[ix]

... AT A POTENTIAL COST

The prospect of a highly-motivated, tech-savvy workforce is a tantalizing prospect for employers, but Generation Z will need to be managed carefully. We know Millennials are a collaborative generation that has influenced workplace layouts and the rise of shared spaces. However, members of Generation Z are tending towards wanting control of their own workspaces.[xvii] This hints at the need to provide a multi-faceted work environment that allows for connecting casually, collaborating with colleagues, meeting with teams and focusing on individual work.

Lurking below this, more concerningly, is Generation Z's lack of work experience and social skills. Young people are spending more time interacting with technology, primarily via smart phones. This has been shown to lead to reduced in-person interaction with peers and to potentially higher mental health strain. And, more than one-third (37%) of Generation Z express concern that technology is weakening their ability to maintain strong interpersonal relationships and to develop people skills.[ix]

This will be a critical focus area for HR departments as they onboard and develop career paths for young workers in the coming years. In a work environment that is becoming more technologically enabled, the real worth of an employee will be in soft skills and activities that cannot be automated. Ninety-two percent of HR leaders believe that emotional and social skills are increasingly important. Notably, 61% of HR professionals believe Generation Z workers will need extra support to develop these skills.[ix]

AN EVOLUTION, NOT A REVOLUTION

In many respects, the key trends highlighted for Generation Z are a progression from what has occurred before. As movements take hold, younger generations grow up with them and they no longer feel like trends. This is true of workplace environments and technology. The essence will be to harness their ambitions within a work environment that allows them to develop emotionally as well as professionally.

IMPACTING OUR CITIES

RISING STARS AND SINKING SHIPS

With such seismic demographic shifts occurring across the world, impacting economic expansion and corporate growth, what does it all mean on the ground? Cities are the hubs of connectivity, linking nations and as such are the focal point for global, regional and national trends. As these trends play out, cities will have very different experiences and need to adapt accordingly.

PLACEMAKING IS CRITICAL

Tier 1 cities including New York, London and Tokyo have dominated global rankings for the past decade. However, they all face challenges to remain at the top. All three are trying to resolve common issues around affordability, the high cost of living and continuing to attract young talent. In addition, London will need to manage Brexit and Tokyo needs to continue to address the national trend of a shrinking workforce. In a world that will be increasingly dominated by the availability of talent, the focus needs to be on placemaking – cities making themselves as attractive as possible to businesses and employees alike (Figure 6).

Figure 6: Placemaking in cities

Source: Cushman & Wakefield

To a certain extent, the Tier 1 cities are already doing this. Historical trends have shown that all three cities attract internal and international migrants to fuel their labor pool. However, only New York ranks in the top 10 (8th) on the Global Talent Competitiveness Index, with London and Tokyo ranked 14th and 19th respectively; though overall scoring for New York and London was not far behind Washington D.C. – the global leader. The requirements of Millennials and Generation Z mean that cities must invest to remain competitive, as attracting talent will attract corporate occupiers which will then subsequently attract institutional investors.

Outside of the top-ranked cities, the real battlegrounds for talent acquisition are in the Tier 2 and Tier 3 markets across the world. These include new cities rapidly rising up the ranks and older cities fighting to keep their place in the world order as they struggle to restructure and reinvent themselves. Demographic shifts play a fundamental part in this.

Correlating the rate of labor force growth and rate of real GDP growth over the decade highlights the battle that is occurring.[xviii] See the four quadrants in in the Figures 7 and 8:

Leaders: Both population growth and GDP growth are above the global average

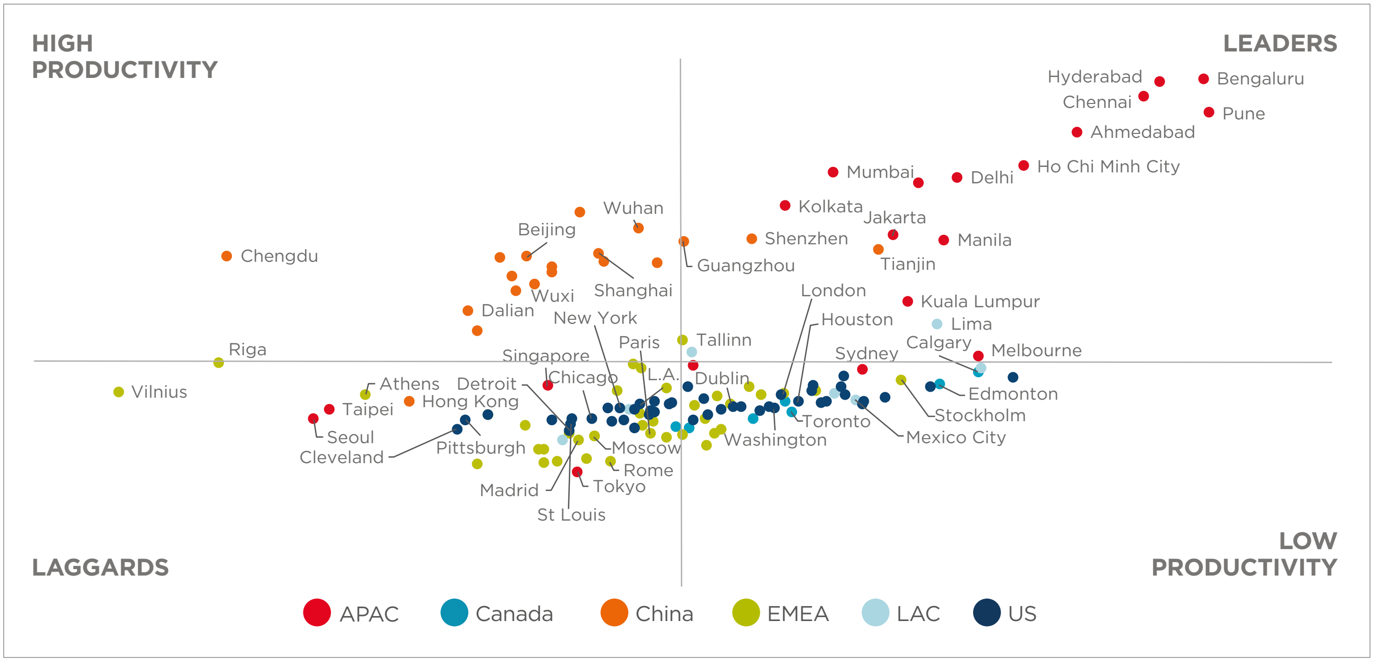
Low Productivity Growth: Population growth is driving GDP gains, which are below the global average

High Productivity Growth: Population growth is below the global average, but innovation in productivity is driving GDP growth above the global average

Laggards: Both population growth and GDP growth are below the global average

We have taken 137 cities from around the world and analyzed them globally (Figure 7) and regionally (Figure 8) to see how they compare on the world stage and against their regional counterparts.

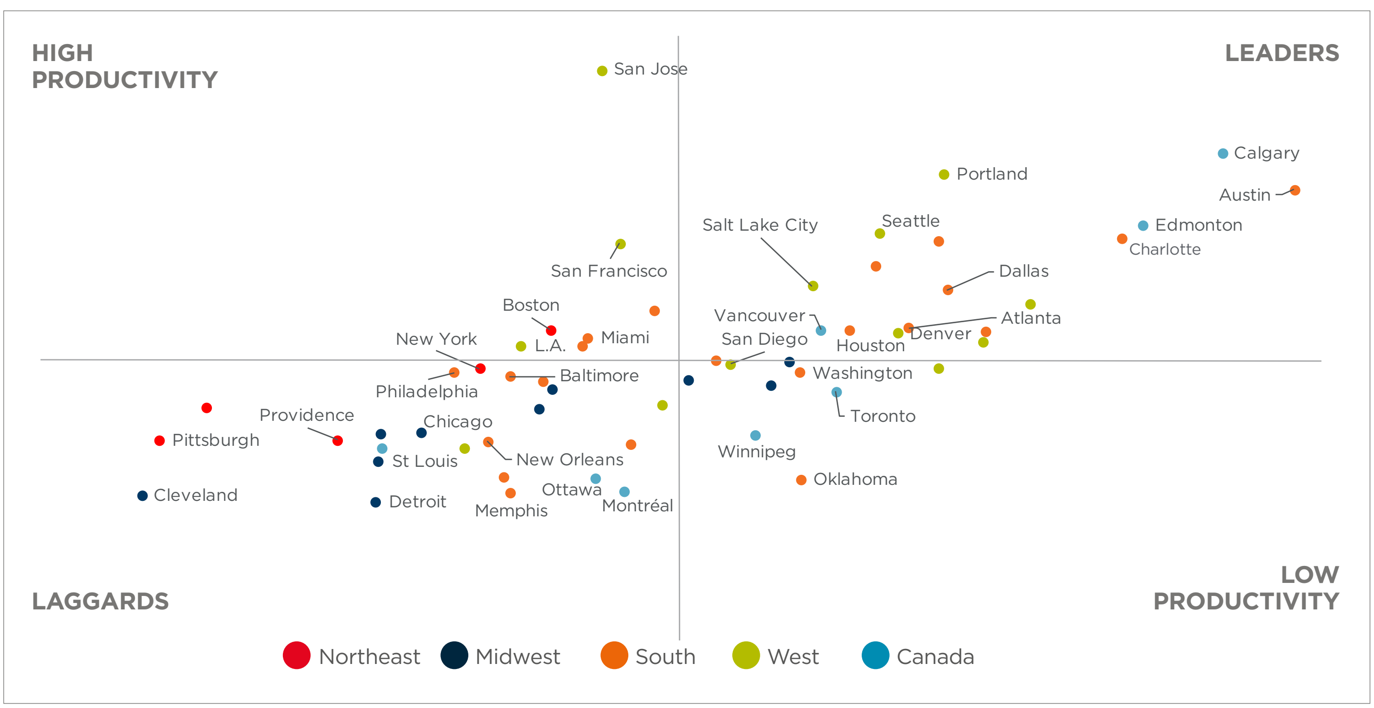
Figure 7: Real GDP growth vs. working age population growth, global analysis, 2020-2030



Source: Oxford Economics, Cushman & Wakefield

Figure 8A: Real GDP growth vs. working age population growth, regional analysis, 2020-2030

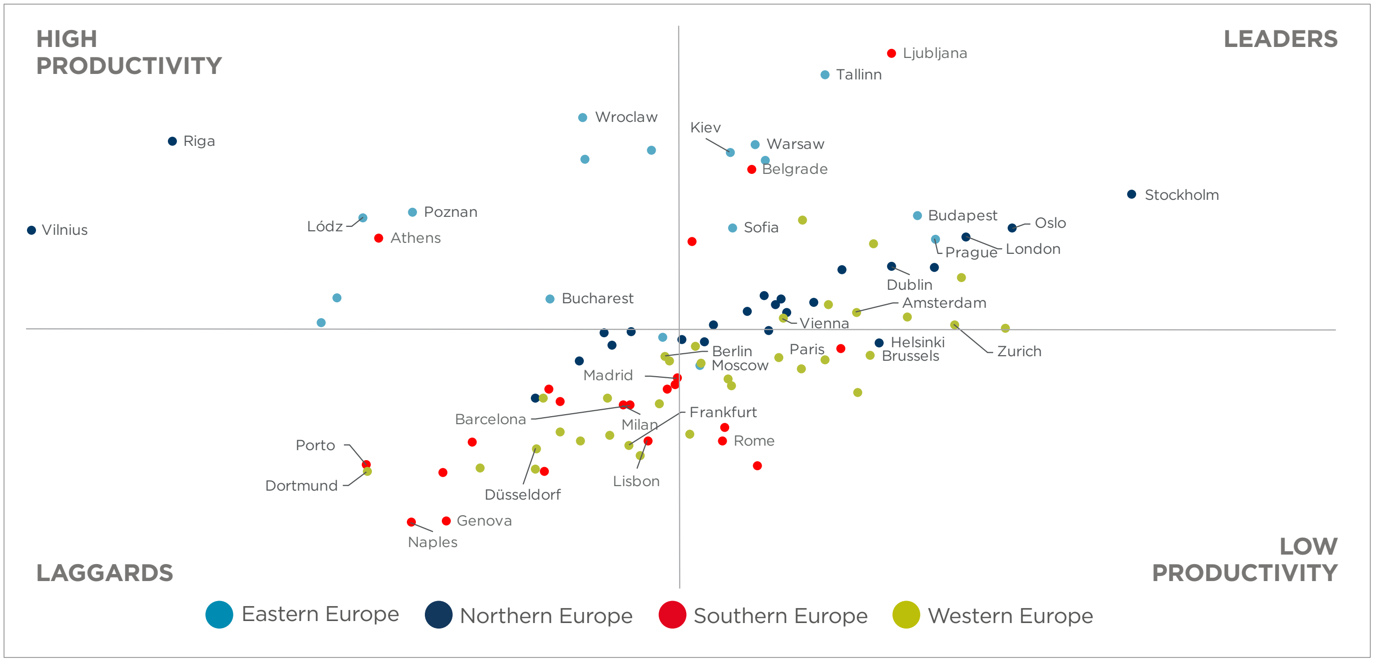
NORTH AMERICA



Source: Oxford Economics, Cushman & Wakefield

Figure 8B: Real GDP growth vs. working age population growth, regional analysis, 2020-2030

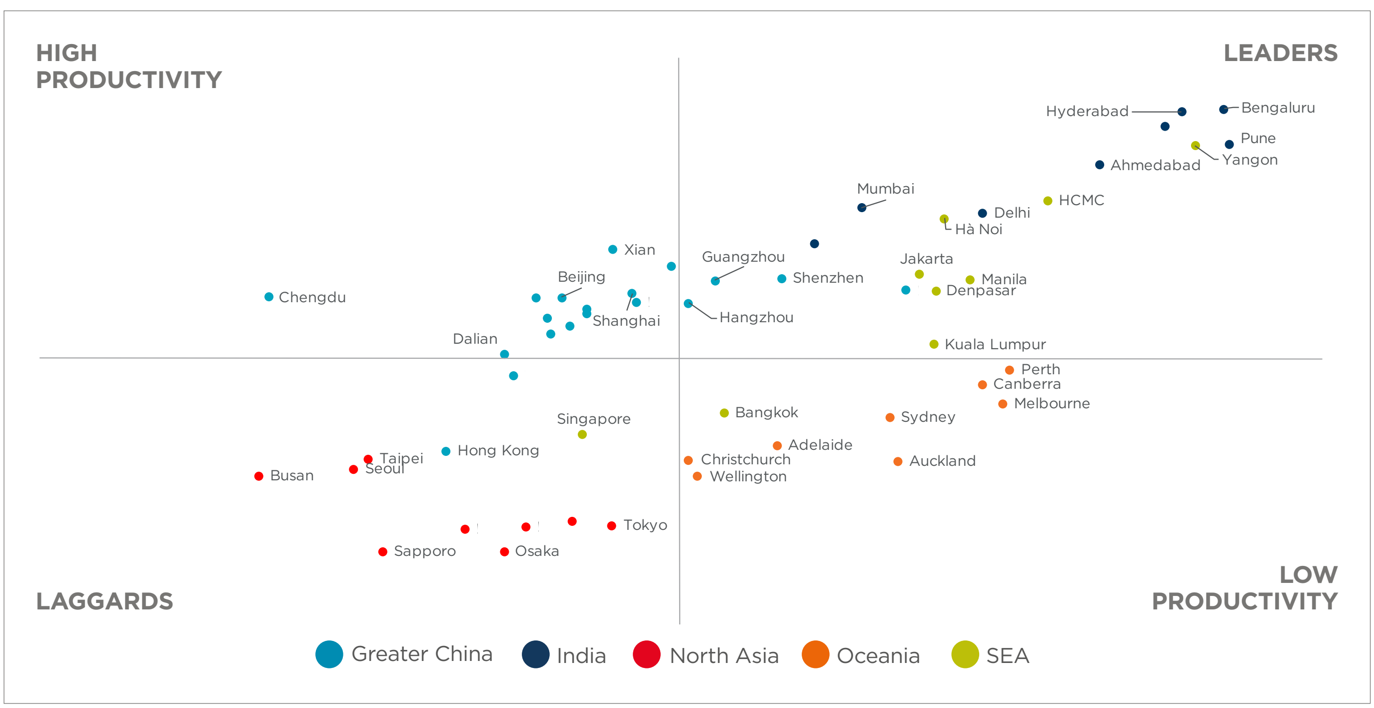
EMEA



Source: Oxford Economics, Cushman & Wakefield

Figure 8C: Real GDP growth vs. working age population growth, regional analysis, 2020-2030

APAC



Source: Oxford Economics, Cushman & Wakefield

INDIAN MARKETS DOMINATE GROWTH FORECASTS

The Leaders quadrant is dominated by Indian and Southeast Asian cities. These are the cities that are experiencing rapid expansion in population and their economies. Currently, these cities are forecast to experience a demographic windfall with especially high population growth in the 25- to 55-year age range (Millennials and Generation Z) and a low rate of population aging. This is perhaps best highlighted by the working age population in Bengaluru being forecast to grow by more than 2 million, helping drive GDP growth over 8% per year. These cities should be high on the radar for outsourcing. However, there are further opportunities for occupiers within the ASEAN bloc.

Jakarta and Ho Chi Minh City are both seeing increasing activity in the industrial sector as corporates' China+ (expanding into countries outside of China) manufacturing strategies start to accelerate. As a result, Vietnam and Indonesia are forecast to see employment in industry increase at one and a half times and four times, respectively, the pace of growth in total employment over the next decade.


MUMBAI

CHINESE CITIES SHIFTING TO HIGH GEAR ON PRODUCTIVITY

The high-productivity quadrant is exclusively the domain of Chinese cities, highlighting the rapid change that the country is going through. Over the past decade, we have seen Chinese manufacturing move up the value chain, while retaining a market share of less complex exports. As a result, Chinese cities offer a range of opportunities for corporate occupiers. Simultaneously, policy developments such as creating special economic zones have created global economic powerhouses. This is helping to offset the slowdown in population growth, with many Chinese cities forecast to experience negative growth in their working populations over the next decade. At a national level, China's workforce aged 20-64 is forecast to decline by 3% equating to the loss of nearly 30 million workers. As a result, productivity gains are imperative.

The impressive growth witnessed in Shanghai, Shenzhen and Guangzhou are a testament to this. However, continuous improvements will be required in talent attraction and market transparency to truly challenge higher ranking cities. While Shanghai has successfully managed to position itself in the top 10 cities globally for foreign investment—it is the only Chinese city in the top 25—the U.S. has four cities in the top 15. This could easily change if Chinese cities continue to modernize and mature at their current pace.

SHANGHAI

"NEW WORLD" CITIES CONTINUE TO ATTRACT INTERNATIONAL TALENT

Low productivity cities benefit from robust population growth though experience lackluster GDP growth. New World cities such as Sydney, Calgary and Toronto sit in this quadrant. While all suffer from population aging to some degree, they have managed to partially offset this with strong international migration programs, which typically attract younger workers. The focus now needs to be on productivity growth to truly harness the opportunities that come from a growing, well-educated workforce.

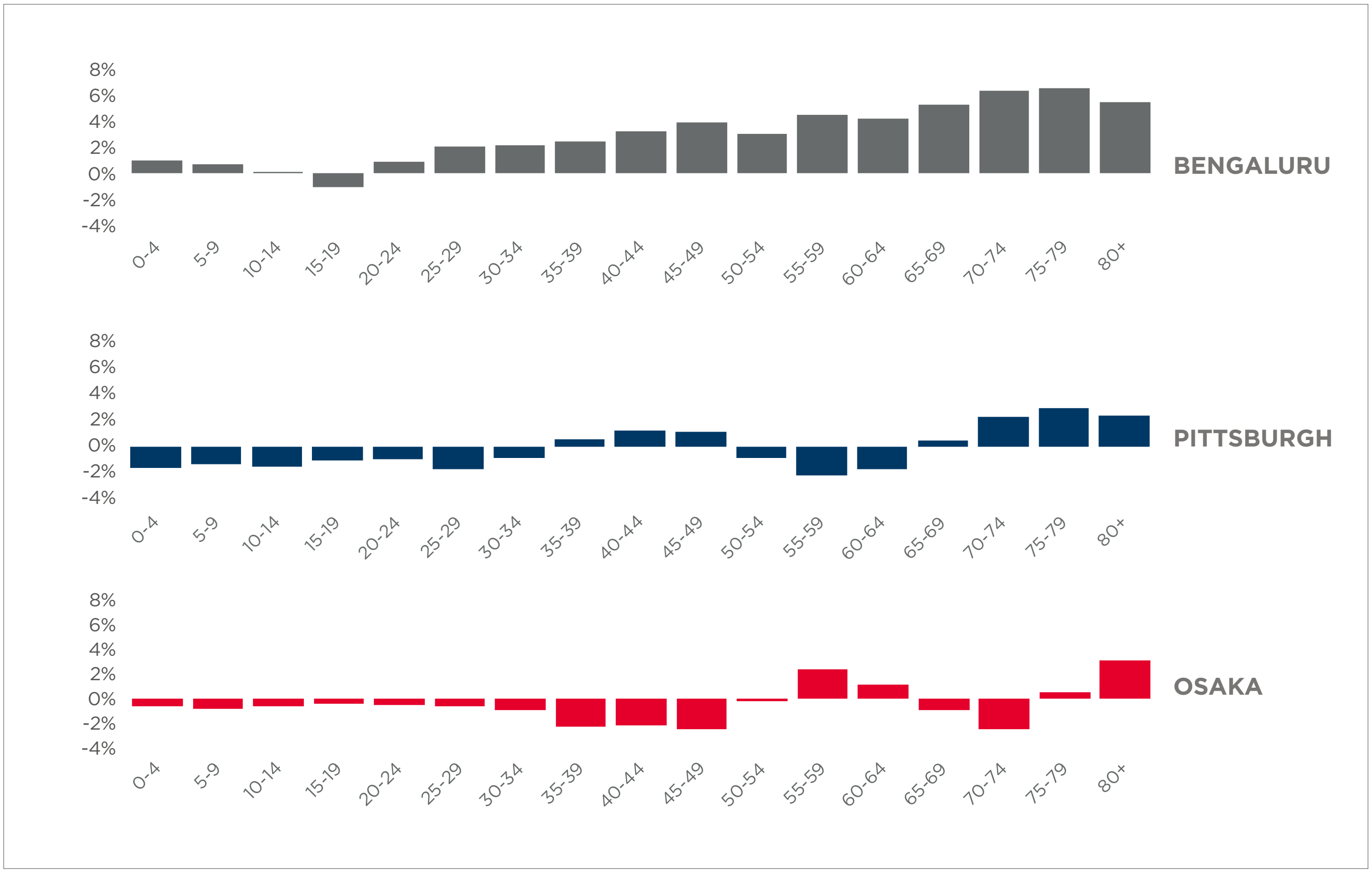
Productivity growth has received a sharp focus in Australia, with no net increase in productivity experienced over the past two years despite strong employment growth. Similarly, Canada is also wrangling with how to improve productivity to enhance the growth benefits being experienced through strong population growth. Investment in infrastructure and technology, as well as modernizing the taxation system, have all been advanced as potential solutions. Other cities in the U.S. and Europe, including Washington D.C., Austin, Dallas, Stockholm and Amsterdam also fall into this category, and in these locations we see some success.

Technology has emerged as a critical part of Austin's economy, accounting for nearly 10% of jobs. It is also ranked in the top 10 North American cities to attract venture capital. The more tech-focused Austin becomes, the more it aligns itself with the future workforce. In these instances, we see a clear focus on technology and improving human capital.

LOW GROWTH CITIES SHOULD ACT TO DEFY EFFECTS OF AGING

Low growth cities, in North Asia especially, perform comparatively poorly with all nine of the cities included in the analysis falling in this quadrant. The common metric across these cities is the high degree of population aging that is forecast to occur (Figure 9). In simple terms, the number of Boomers leaving the workforce is not being replaced by younger generations and the cities are struggling to make productivity gains.

Figure 9: Growth by age group for selected cities, 2020-2030



Source: Oxford Economics, Cushman & Wakefield

Over the next decade, Seoul is forecast to experience a decline in working age population of 12% (860,000 people) and comparatively anemic GDP growth of almost half the average across the cities analyzed. In Europe and the U.S., cities such as Madrid, Rome, Frankfurt, Cleveland, Pittsburgh and Detroit are all forecast to experience sluggish growth. For the most part, reasons for this poor performance stem from a decline in the city's traditional economic base or stagnation at the national level. Policy makers need to focus on how to reinvent these cities to meet the requirements of the future economy. Corporate occupiers and investors alike are advised to closely observe the pace of change in these cities and make strategic decisions accordingly.

It is important to recognize, however, that these futures are not a given and can be challenged. Cities in the Leaders and High Productivity categories will need to continue their current pace of innovation and change to achieve their growth potential. Equally, slower growth cities have time to enact policies to stimulate economic activity and boost talent and business attraction. It is against this backdrop that investors and occupiers alike need to assess their portfolio structure and weightings.

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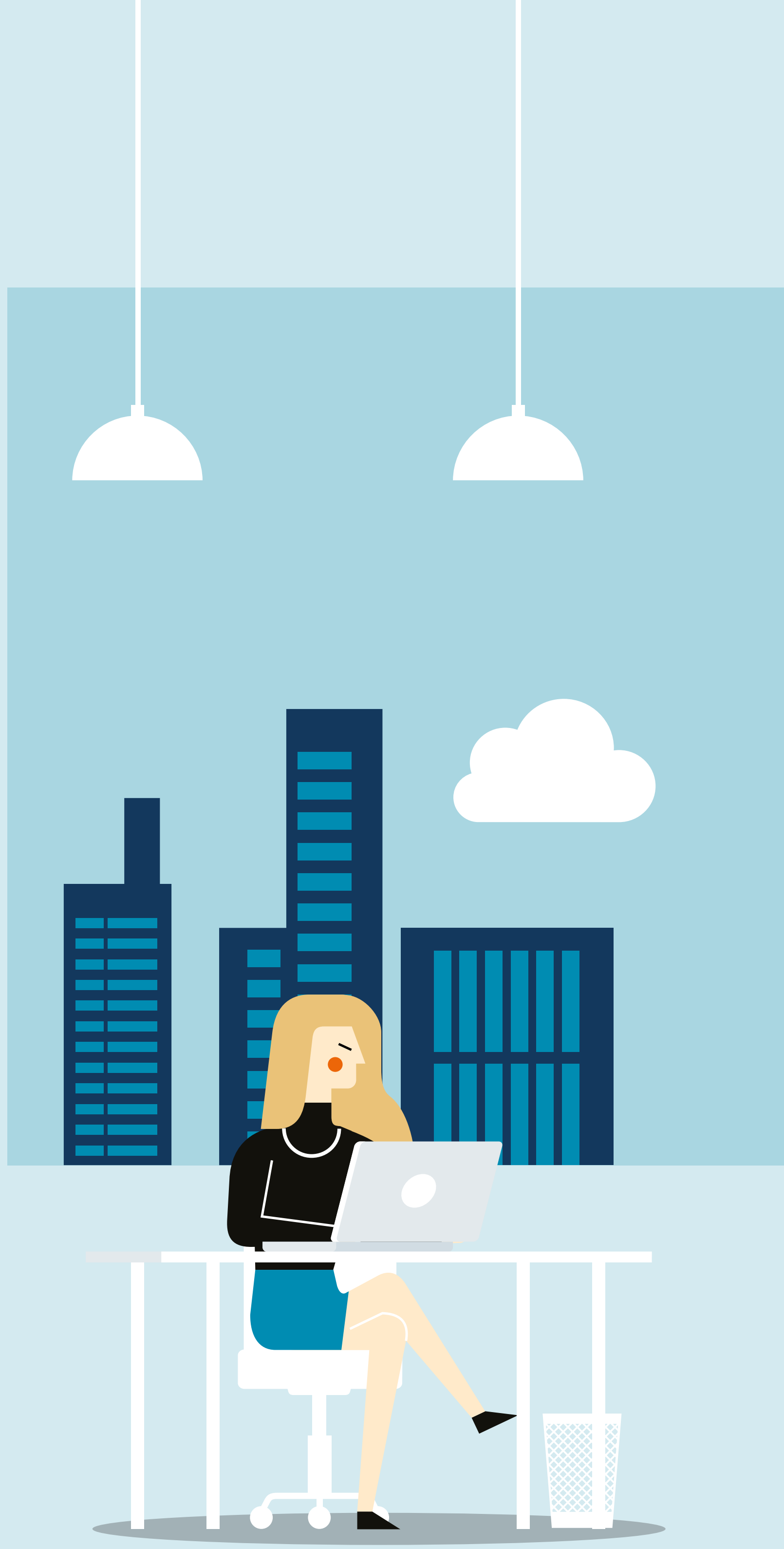

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